

A3X0255
8.815
Copy 1
LAC

South Carolina Legislative Audit Council

Report to the General Assembly

February 1995

A Limited-Scope Review of Santee Cooper



S. C. STATE LIBRARY
FEB 16 1995
STATE DOCUMENTS

Legislative Audit Council

400 Gervais Street
Columbia, SC 29201
(803)253-7612
(803)253-7639 FAX

Public Members

Sherri Mathews-Hazel, CPA, Chair
Robert S. McCoy Jr.

Members Who Serve Ex Officio

James E. Bryan Jr.
Senate Judiciary Committee
Ernie Passailaigue
Senate Finance Committee
Henry E. Brown Jr.
House Ways & Means Committee
James H. Harrison
House Judiciary Committee

Director

George L. Schroeder

Authorized by §2-15-10 *et seq.* of the South Carolina Code of Laws, the Legislative Audit Council, created in 1975, reviews the operations of state agencies, investigates fiscal matters as required, and provides information to assist the General Assembly. Some audits are conducted at the request of groups of legislators who have questions about potential problems in state agencies or programs; other audits are performed as a result of statutory mandate.

The Legislative Audit Council is composed of three public members, one of whom must be a practicing certified or licensed public accountant, and six General Assembly members who serve ex officio.

Audits by the Legislative Audit Council conform to generally accepted government auditing standards as set forth by the Comptroller General of the United States.

Copies of all LAC audits are available to the public at no charge.

A Limited-Scope Review of Santee Cooper was conducted by the following audit team.

Audit Supervisor

Senior Audit Manager
Thomas J. Bardin, Jr.

Legal Counsel
Jane McCue Johnson

Typography
Candice H. Pou
Maribeth Rollings Werts

Audit Team

Senior Auditors
Lynn U. Ballentine, CPA
Andrew M. Young

Associate Auditor
Toni R. Southerland

Assistant Auditor
Aimee Lingle

LAC

A Limited-Scope Review of Santee Cooper

February 1995

Members of the South Carolina General Assembly requested that we conduct a limited-scope management review of the South Carolina Public Service Authority, otherwise known as Santee Cooper. We were asked to target specific areas of legislative concern, including:

- Fringe benefits provided to Santee Cooper employees.
- Funds given to non-profit and other organizations.

Employee Benefits

In comparing the fringe benefits provided to Santee Cooper's employees with those provided to other state workers, we found mixed results. Santee Cooper's benefits sometimes are less generous and sometimes are more generous than other state agencies. Here are some examples:

Annual Leave—Santee Cooper's employees receive from 5 to 25 days of annual leave, while other state employees receive 15 to 30 days, depending on years of service.

Sick Leave—Santee Cooper, 9 days each year; other state agencies, 15 days each year.

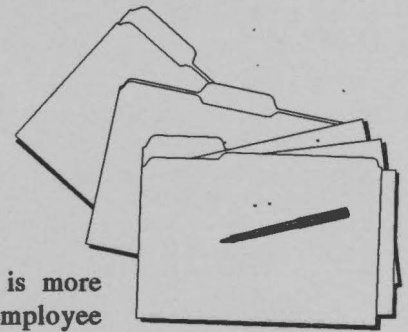
Holidays—Santee Cooper, 11 holidays each year; other state agencies, 12 holidays.

Health Insurance—Santee Cooper's employees pay less than other state employees because Santee Cooper subsidizes its employees' costs more. For example, a Santee Cooper employee choosing full family coverage for the state's economy plan would pay \$28 per month compared to \$114 per month for other state workers for the same coverage.

For benefits such as tuition, professional exam and licensing fees, memberships in professional organizations and employee relocation expenses, Santee Cooper exceeds those paid for other state employees.

- Revenues returned to the state treasury.
- Procurement of goods and services such as coal.

In some of these areas we found no material problems and have made no recommendations. In other areas, we have made recommendations to improve agency operations. The following summarizes our review.



Santee Cooper also is more generous with employee incentives and bonuses. For example, it pays an attendance incentive bonus every six months to employees who take fewer than eight hours of sick leave or leave without pay. And for the past ten years, Santee Cooper's employees have received a year-end bonus equal to 3 days' pay with a maximum of \$1,000.

We concluded that Santee Cooper, which is not a traditional state agency, has the authority to provide more benefits to its employees than other state agencies. However, the benefits provided should serve a public purpose and be related directly to Santee Cooper's corporate purpose.

In one area, the use of revenues for employee social and recreational activities for employees, Santee Cooper may not have met the public purpose test. For example, from 1991 through 1993 it spent \$140,000 for agency picnics and sporting events.

Executive employees also receive extra benefits from Santee Cooper, including:

- Additional retirement payments varying from 10% to 30% of their final salaries.
- Additional disability insurance and life insurance.
- A monthly vehicle allowance ranging from \$332 to \$565.
- Reimbursement for other automobile costs, such as business mileage and maintenance costs.



Contributions

Santee Cooper is required by state law to return excess funds "not necessary or desirable" for the prudent operation of the business to the state treasury. We identified additional funds that the agency could be remitting to the state.

In 1987, Santee Cooper decided to remit 1% of "projected revenues" to the state treasury each year. The agency excluded interest and miscellaneous revenues in this calculation. If these revenues were included, the state's general fund would have received an additional \$505,970 from 1992 through 1994, an average of \$168,657 per year.

Santee Cooper's payments to the general fund are:

Fiscal Year	Amount
86/87	\$2,003,000
87/88	\$3,003,000
88/89	\$5,180,000 ^a
89/90	\$5,591,000
90/91	\$5,635,000
91/92	\$5,728,000
92/93	\$5,905,000
93/94	\$6,128,000

^a Year calculation for remitting funds to state was changed.

Santee Cooper also uses its revenues to make financial contributions to public agencies and private organizations. In 1993 Santee Cooper reported to the General Assembly that it made 229 contributions

Agency comments to the audit begin on page 71.

Copies of all LAC audits are available to the public at no charge. If you have additional questions, please contact George L. Schroeder, Director.

totalling \$721,250. We found that this figure did not include other contributions totalling \$62,015 made to 37 organizations. Santee Cooper did not report these because they considered them advertising or economic development expenditures.

Santee Cooper's policy concerning contributions does not address potential favoritism. For example, Santee Cooper contributed funds to organizations whose boards of directors included Santee Cooper staff. In addition, contributions were made to outside organizations to name facilities after board members.

We sampled contributions made in 1993 to determine if they met guidelines for donations of public funds as outlined in opinions of the attorney general. We found some contributions were made to religious organizations, private educational institutions and organizations that primarily benefitted members. These types of contributions might not be legal.



Procurement

Coal—Santee Cooper purchases approximately 4.4 million tons of coal annually, costing \$119 million. We analyzed Santee Cooper's process for purchasing coal under long-term and short-term contracts, and found no material problems.

Railcars—As of November 1994, Santee Cooper owned 407 railcars and leased 374 railcars to transport coal from coal mines to its generating plants. We found that the railroad charges Santee Cooper a discounted rate to haul coal in railcars that Santee Cooper owns or leases. The discount is large enough to make owning and leasing railcars cost-effective.

Attorneys—Santee Cooper hires private attorneys to provide various legal services, and, unlike other state agencies, is not required to obtain the approval of the attorney general to hire private attorneys.

We analyzed savings Santee Cooper obtained by litigating two long-term coal contracts that were alleged to have been fraudulently administered. We also analyzed the legal fees paid to a private attorney to handle the case. The litigation resulted in a renegotiated contract, and allowed the agency to save approximately \$251 million over 13 years.

LAC

Report to the General Assembly

**A Limited-Scope Review
of Santee Cooper**

Contents

Executive Summary

..... v

Chapter 1 Introduction, Background and History

Audit Objectives 1
Scope and Methodology 2
Background and History 3
Deregulation 5

Chapter 2 Employee Benefits

Standard Benefits 7
Benefits for Top-Level Employees 14
Legality of Benefits 18

Chapter 3 Contributions to Outside Organizations and the State Treasury

Contributions to Outside Organizations 21
Payments to State Treasury 26

Chapter 4 Procurement of Goods and Services

Coal Purchasing 31
Purchase of Railcars to Ship Coal 31
Single Source Purchases 33
Blanket Purchase Orders 35
Land and Easement Procurement 36
Legal Services From Private Attorneys 37
Renegotiation of Coal Contracts 40

Appendices

A	List of Santee Cooper's Contributions Since 1990	49
B	List of Legal Authorities	69
C	Agency Comments	71

Executive Summary

At the request of members of the South Carolina General Assembly, we conducted a limited-scope management review of the South Carolina Public Service Authority (Santee Cooper).

In some areas we were asked to review, we did not find material problems and have made no recommendations. In other areas, we have made recommendations to improve agency operations.

The following summarizes our review.

Employee Benefits

In some areas, we found that fringe benefits provided to Santee Cooper's employees exceed those provided to employees of other state agencies. In other areas, Santee Cooper's benefits are less generous. The following summarizes fringe benefits provided to Santee Cooper's employees.

Santee Cooper's employees receive from 5 to 25 days of annual leave, while other state employees receive 15 to 30 days, depending on years of service. Santee Cooper's employees receive 9 days of sick leave each year, while employees of other state agencies receive 15 days. In addition, Santee Cooper's employees receive 11 holidays each year, while employees of other state agencies receive 12 (see p. 7).

Santee Cooper's employees pay less for their health insurance than other state employees. For example, a Santee Cooper employee choosing full family coverage for the state's economy plan would pay \$28 per month while other state employees would pay \$114 per month for the same coverage. This is because Santee Cooper subsidizes its employees' costs more than other state agencies do for their employees (see p. 9).

Santee Cooper pays for employee tuition costs, professional exam and licensing fees and memberships in professional organizations (see p. 10). Santee Cooper pays employee relocation expenses which exceed those paid for other state employees (see p. 11).

Santee Cooper pays an attendance incentive bonus every six months to employees who take fewer than eight hours of sick leave or leave without pay. Employees eligible for the bonus can receive either an extra day of vacation or an extra day of pay (see p. 12).

Santee Cooper's employees have received a year-end bonus for the past ten years. The bonus has been equal to 3 days' pay with a maximum of \$1,000 (see p. 12).

Santee Cooper uses its revenue to pay for social and recreational activities for employees. Opinions of the attorney general have indicated that expenditures of public funds for employee social and recreational activities at other state agencies might not be legal (see p. 12).

In 1982, Santee Cooper established a "Supplemental Executive Program" to provide extra benefits to executive employees. For example, in addition to state retirement benefits, executive employees receive additional retirement payments varying from 10% to 30% of their final salaries, funded with Santee Cooper's revenues, when they retire. In addition, selected executives receive additional disability insurance and life insurance benefits (see p. 14).

Selected employees also receive free annual physical examinations. In 1994, Santee Cooper paid for 52 employees to receive these exams which cost \$315 each (see p. 16).

Santee Cooper provides certain top-level employees a monetary monthly vehicle allowance ranging from \$332 to \$565. These employees are also reimbursed for other automobile costs, such as business mileage and maintenance costs (see p. 17).

Contributions to Outside Organizations and the State Treasury

The following describes our findings pertaining to contributions to outside organizations and contributions to the state treasury.

We found that Santee Cooper's list of contributions reported to the General Assembly for 1993 did not include contributions totalling \$62,015 to 37 organizations. Santee Cooper officials stated that these contributions were not included because they considered them to be advertising, employee sponsorships or related to economic development (see p. 22).

Santee Cooper's policy concerning contributions does not address potential favoritism. In 1993, Santee Cooper contributed funds to organizations whose boards of directors included Santee Cooper staff. In addition, contributions were made to outside organizations to name facilities after board members (see p. 22).

We reviewed a sample of contributions made in 1993 to determine if they met guidelines for donations of public funds as outlined in opinions of the attorney general. We found some contributions were made to religious organizations, private educational institutions and organizations that primarily benefitted members. These types of contributions might not be legal (see p. 23).

Santee Cooper is required by state law to return excess funds "not necessary or desirable" for the prudent operation of the business to the state treasury. In 1987, Santee Cooper decided to remit 1% of "projected revenues" to the state treasury each year. The agency has excluded interest and miscellaneous revenues in its calculation for remitting revenues to the state. If these revenues were included, the state's general fund would have received an additional \$505,970 from 1992 through 1994, an average of \$168,657 per year (see p. 26).

Procurement of Goods and Services

Santee Cooper purchases approximately 4.4 million tons of coal annually, costing \$119 million. We analyzed Santee Cooper's process for purchasing coal under long-term and short-term contracts; we reviewed the extent of competition, bids submitted, factors used to compare quality, and Santee Cooper's analysis and award of the contracts. We found no material problems with the agency's process for purchasing coal (see p. 31).

As of November 1994, Santee Cooper owned 407 railcars and leased 374 railcars to transport coal from coal mines to its generating plants. We found that the railroad charges Santee Cooper a discounted rate to haul coal in railcars that Santee Cooper owns or leases. The discount is large enough to make owning and leasing railcars cost-effective (see p. 31).

Santee Cooper has not required written justification for purchases obtained from "single source" vendors. We could not consistently determine, from Santee Cooper's records, the rationale for purchasing items from a single source and whether other vendors could provide the items (see p. 33). In addition, Santee Cooper has not followed its policies pertaining to contracting for professional services (see p. 34).

Santee Cooper hires private attorneys to provide various legal services, and, unlike other state agencies, is not required to obtain the approval of the attorney general to hire private attorneys. Santee Cooper has paid in-state private attorneys hourly rates of \$60 to \$195 per hour. Out-of-state attorneys have been paid \$115 to \$315 per hour (see p. 37).

We analyzed savings Santee Cooper obtained by litigating two long-term coal contracts that were alleged to have been fraudulently administered. We also analyzed the legal fees paid to a private attorney to handle the case. The litigation resulted in a renegotiated contract. The renegotiated contract allows Santee Cooper to save approximately \$251 million over 13 years by purchasing fewer tons of coal at a reduced price (see p. 40).

Introduction, Background and History

Audit Objectives

Members of the South Carolina General Assembly requested that we conduct a review of certain aspects of Santee Cooper's management. They requested that we review issues pertaining to legal fees, procurement, contributions, fringe benefits and revenues returned to the state treasury.

We conducted survey work at Santee Cooper and consulted with the audit requestors to clarify the issues and define specific objectives. Our objectives were as follows:

Fringe Benefits

Determine the amount and the legality of fringe benefits provided to Santee Cooper's employees.

Contributions

Determine the propriety of Santee Cooper's financial contributions to nonprofit or other organizations.

Net Revenues

Determine whether Santee Cooper returns funds to the state treasury in accordance with state law.

Procurement

Determine if Santee Cooper has adequate fuel procurement practices.

Determine if Santee Cooper's purchase and lease of coal cars is more economical than using the railroad's cars.

Determine if Santee Cooper has adequate land procurement practices.

Determine if Santee Cooper has adequate procedures for purchasing products and services from a "sole source."

Legal Services

Determine the process Santee Cooper uses to procure the services of private attorneys.

Determine if Santee Cooper has adequate procedures for procuring bond counsel.

Determine the manner in which Santee Cooper selected outside legal counsel to renegotiate its coal contract with a coal company.

Scope and Methodology

Our review was limited to the objectives described above. We did not examine many aspects of Santee Cooper's operations, such as the production of electricity, hiring practices, and cash management practices. We have not compared Santee Cooper's management to the management of investor-owned utilities.

In this audit, we do not address the issue of whether Santee Cooper should be sold or remain a state-owned utility. The focus of this review is to provide objective, independent information pertaining to issues of concern to members of the General Assembly and to provide recommendations, where warranted, to improve the operations of Santee Cooper.

To conduct this audit, we examined procurement records, documents pertaining to the hiring of private attorneys, and records concerning two coal contracts which were renegotiated. We examined records of fringe benefits provided to Santee Cooper's employees and contributions provided to various organizations. Records concerning funds returned to the state treasury were also examined.

We conducted interviews with Santee Cooper officials and with officials of other South Carolina state government agencies and investor-owned utilities. We also obtained information from government-owned utilities. We reviewed internal audit reports, independent audit reports and other reports concerning Santee Cooper. Our primary period of review was from January 1990 through August 1994.

To better understand the operations of Santee Cooper, we visited a Santee Cooper electric generating facility. In addition, we visited Santee Cooper's energy control center.

The primary criteria we used to assess agency operations were state laws, agency policies and procedures, attorney general's opinions and state Supreme Court decisions. We tested management controls concerning procuring goods and services, remitting funds to the state treasury and contributing funds to outside organizations.

We conducted random and non-random samples of various records during our review. For example, we sampled records pertaining to legal fees, procurement of fuel and land and contracts for goods and services.

To achieve our audit objectives, we relied on some computer-processed data from Santee Cooper's financial records. We conducted limited tests of the reliability of these data and found some immaterial discrepancies.

Background and History

The Public Service Authority (Santee Cooper) is an electric utility owned by the state of South Carolina. It was created by Act 887 of 1934, which authorizes it to:

- Produce, distribute and sell electric power.
- Treat, distribute and sell water at wholesale.
- Develop the Cooper, Santee and Congaree Rivers and certain tributaries so that they can be used for commerce.
- Reclaim wastelands by eliminating or controlling flood waters, and to reforest the watersheds of the rivers.

Santee Cooper is governed by an 11-member board of directors appointed by the Governor with Senate confirmation. Board members serve a seven-year term. Santee Cooper's board has broad discretionary powers. Section 58-31-60 of the South Carolina Code of Laws states that the board of directors shall have full authority to manage the property and business of Santee Cooper. An advisory board consisting of the Governor, attorney

general, comptroller general, state treasurer and secretary of state is charged with assisting the board of directors in the operations of the business.

The United States Government provided Santee Cooper with \$34 million to fund start-up costs and in 1942, Santee Cooper began selling electricity. Santee Cooper has received no funding from the state of South Carolina for operations or capital improvements. Santee Cooper issues bonds to finance capital improvements. As of December 1993, the agency had \$2.5 billion in debt. Its bonds were favorably rated (A1 with Moody's investor services and AA – and A+ with Standard & Poor's). Fitch Investors Services rated Santee Cooper's bonds at A+.

In addition, Santee Cooper has constructed a wholesale water supply system. Its water system began operation in 1994, and will provide water to four retail water systems.

Santee Cooper has four generating facilities which are located in Moncks Corner, Georgetown, Cross and Conway. In addition, Santee Cooper holds a one-third ownership in the Summer Nuclear Station in Fairfield County. Combustion turbine generators are also located on Hilton Head Island and Myrtle Beach, and a small hydroelectric unit is at the north Santee Dam. A second generating facility at Cross, South Carolina is scheduled to be fully operational in 1995.

At the end of 1993, Santee Cooper was serving 96,670 residential, commercial and other retail customers in Berkeley, Horry and Georgetown counties. In addition, Santee Cooper sells electricity at wholesale to Central Electric Cooperatives, which sells power to 15 electric cooperatives in 35 counties. Total energy sales for 1993 were 14.4 billion kilowatt hours. Santee Cooper has a peak summer generating capacity of 2,780 megawatts.

As of 1990, Santee Cooper was the fourth largest public power utility in the nation in kilowatt hour sales. Public electric utilities in New York State, Los Angeles, and Phoenix sold more electricity than Santee Cooper.

In 1993, Santee Cooper had revenues of \$589 million. The agency is required by law to return net earnings not necessary or desirable for the prudent operation of its business to the state treasury each year. In 1987, Santee Cooper's board decided that 1% of projected revenues would be remitted to the state treasury each year. In FY 93-94, Santee Cooper remitted approximately \$6 million to the state's general fund.

Deregulation

For retail sales of electricity, Santee Cooper and other utilities in South Carolina operate as near monopolies within protected service territories. With limited exceptions, customers within an assigned service territory may purchase electricity from only one electric utility.

Amendments to federal law (the Public Utility Regulatory Policies Act of 1978 and the Energy Policy Act of 1992) have permitted increased competition in the wholesale market for generating electricity. The retail market is also likely to become competitive.

Electricity Sold at Wholesale

Under federal law (16 USC §824), any entity which generates electricity to be sold for resale may have access to a transmission system it needs in order to reach a wholesale customer, even if the transmission system is not owned by either party in the transaction. The rates charged by a utility for its transmission services are required to be "just and reasonable."

With open access to transmission systems, wholesale customers, such as electric cooperatives and some municipalities, have increased ability to shop for low-cost electricity.

Electricity Sold at Retail

For retail sales of electricity, neither federal nor South Carolina law require that utilities provide access to their transmission and distribution systems.

In June 1994, we recommended that the South Carolina Public Service Commission propose changes in state law to increase retail electric competition. Such changes would likely include open access to transmission and distribution systems. The Public Service Commission has not yet made any proposals and state law has not been amended.

Because the Public Service Commission's laws do not apply to Santee Cooper, amendments to include Santee Cooper in a competitive retail marketplace would need to be made separately.

Although the timing is uncertain, it is likely that utilities in South Carolina and the rest of the United States will eventually be required by law to provide access to their transmission and distribution systems for retail sales.

California is considering the establishment of retail competition for large customers by 1996 and all customers by 2002.

Under retail electric competition, individual consumers will be able to select from more than one supplier of electricity. If the suppliers chosen do not own the transmission and distribution systems needed to deliver their electricity, they will have access, for a fee, to the systems owned by other entities.

Under retail competition, the current role of protected service territories will change or be eliminated.

Impact of Deregulation on Santee Cooper

As competition evolves, Santee Cooper, like other electric utilities, will gradually lose its monopoly position in the generation of electricity. It will be more likely to retain its monopoly position in the transmission and distribution of electricity.

Santee Cooper's wholesale and retail customers will be seeking reliable sources of electricity at the lowest prices possible. In order for Santee Cooper to compete effectively as a generator of electricity, it will have to maintain prices and reliability that are competitive with other utilities.

It is difficult to predict which utilities will be able to compete effectively in a free market. It is likely, however, that some utilities will survive, and some will not.

In 1994, Moody's Investor Services and Standard and Poor's reported that Santee Cooper has prepared well for a competitive environment. We have not formally analyzed Santee Cooper's ability to operate in a competitive environment.

Employee Benefits

Santee Cooper employs 1,776 full-time employees in its headquarters in Moncks Corner and other locations throughout the state. As a part of this audit, we reviewed primary benefits that Santee Cooper provides to its employees, and we compared these benefits to those provided to other state employees, whenever possible. We also compared benefits provided to "key" employees to benefits provided to "key" employees of other electric utilities.

In some areas, Santee Cooper's employees receive benefits that exceed those provided to employees at other state agencies. For example, employees at Santee Cooper receive attendance bonuses, year-end bonuses and reimbursement for expenses not provided other state employees. For other areas, Santee Cooper's employees receive fewer benefits; for example, Santee Cooper's employees receive fewer sick and vacation days than employees of other state agencies.

As discussed on page 5, electric utilities may face competition from other electric utilities in the near future. As competition increases, there will be more pressure on electric utilities to contain costs.

Standard Benefits

The following provides details concerning primary benefits provided to Santee Cooper's employees.

Vacation Leave

Vacation leave (annual leave) for employees is calculated based on years of service. The following schedule applied to all employees hired after January 1, 1994.

**Table 2.1: Vacation Time
Provided Santee Cooper's
Employees**

Completed Years of Service	Santee Cooper Days of Vacation (Per Year)	Other State Employees (Per Year)
6 months to 1 year	5 days ^a	15 days
1 to 5 years	10 days	15 days
6 to 10 years	15 days	15 days
11 to 14 years	16 to 19 days	16 to 20 days
15 to 19 years	20 to 24 days	21 to 26 days
20 years and over	25 days	27 to 30 days

^a After six months of employment.

In comparison, employees of other state agencies with less than 10 years of service receive 15 days per year. The amount increases after 10 years at a rate of 1.25 days per year with a maximum of 30 days per year.

Sick Leave

Employees of Santee Cooper earn $\frac{1}{2}$ day of sick leave for each full calendar month of employment. Each January 1, they receive an additional three days, for a maximum of nine sick leave days per year. Conversely, employees of other state agencies are awarded with sick leave beginning with the date of employment at the rate of 1.25 working days per month for a maximum of 15 days per year.

Holidays

Santee Cooper's employees receive 11 holidays per year, while employees of other state agencies receive 12 holidays per year. The following table shows the specific holidays received by both groups of employees.

**Table 2.2: List of Holidays
Provided to Santee Cooper's
Employees and Other State
Employees**

Holidays	Santee Cooper	State Government
New Year's Day	•	•
Washington's Birthday		•
Good Friday	•	
Memorial Day	•	•
Independence Day	•	•
Labor Day	•	•
Election Day	•Every 4 years	•Even years
Veteran's Day		•
Thanksgiving Day	•	•
Day after Thanksgiving	•	•
Christmas Eve		•Governor declares
Christmas	•2	•2
Floating Holidays	•2	•1
Total	11	12

Health Insurance

Santee Cooper's employees may choose the state's health plan or one of three health maintenance organizations, Companion, Physicians Health Plan, and Healthsource. We compared the cost of health insurance for a Santee Cooper employee to employees of other state agencies, and found that a Santee Cooper employee pays less for coverage than employees of other state agencies. For example, if a Santee Cooper employee had full family coverage with the state's economy plan, he would pay \$28 a month for health insurance, while other state employees would pay \$114 for the same coverage. The reason is that Santee Cooper's cost for health insurance includes the standard *employer* portion plus 75% of the *employee* portion of health insurance.

Training and Development

Santee Cooper's training and development division sponsors internal and external training programs, provides tuition aid for employees, and pays for employees' professional examinations, license fees, and memberships in professional organizations or associations. The following summarizes these benefits.

Tuition Aid Reimbursement

Santee Cooper reimburses employees for college tuition and related expenses.

All Santee Cooper employees are eligible for college tuition aid related to the employee's current or future occupation with the agency. This includes reimbursement for the cost of tuition, books, and laboratory fees. Santee Cooper provides full reimbursement for these expenses if the course is satisfactorily completed with at least a grade of "C". For calendar years 1991 through 1993, Santee Cooper spent \$394,810 in tuition aid reimbursement to 362 employees.

Exams/License Fees/Memberships in Professional Organizations

Santee Cooper also pays employee expenses for examinations for professional licenses or certifications which are required for a specific job, or would be advantageous to the agency. Also, travel costs and time off with pay are provided for an employee taking an examination or a segment of a multi-part examination.

Santee Cooper pays for professional licensing expenses and memberships in professional organizations.

Santee Cooper also pays for one job-related professional membership for supervisor or professional employees, with an annual membership fee limit of \$150, unless otherwise approved by management for a greater amount. For example, in calendar year 1993, Santee Cooper paid for 330 individual memberships in 123 separate professional organizations. In the last three years, Santee Cooper spent \$162,268 for exams, license fees, and memberships in professional organizations.

Comparison With Other State Agencies

We compared these benefits to those provided to employees of other state agencies. According to the Budget and Control Board's Office of Human Resources (HRM) Regulation 19-710.05 (effective August 1994), if an agency requires a state employee to take a specific course that will help to improve the employee's performance, the agency is required to pay all costs

of the course, including tuition, fees, books, and examinations. In addition, agencies are allowed to enact policies to reimburse employees for tuition costs. HRM Regulation 19-710.07 allows state agencies to provide tuition assistance based on Budget and Control Board guidelines. However, HRM Regulation 19-710.05 prohibits state agencies from paying for courses required to attain or maintain a professional license.

We could identify no state policy concerning state agencies paying for memberships in professional organizations.

Relocation Expenses

Santee Cooper reimburses for relocation expenses of active employees and new hires. The agency's policy allows:

- Up to \$7,500 for documented closing costs if the employee sells his previous home.
- Temporary living expenses such as lodging and meals for up to 15 days between the date of transfer and the moving of household goods.
- One four day/three night househunting trip for employee and family.
- Reasonable moving costs.

From 1991 through 1993, Santee Cooper paid relocation expenses totalling \$253,000 for 61 active employees and new hires.

Section 8-11-135 of the South Carolina Code of Laws states that state agencies may pay the cost of moving expenses for newly-employed personnel if certain conditions are met:

- The new employee's place of residence is outside of the state at the time of employment by the agency.
- The agency can demonstrate that paying these costs is necessary to fill the position.
- The maximum payment does not exceed \$5,000.

During our review, we found two instances where Santee Cooper paid more than \$7,500 for closing costs. For example, Santee Cooper reimbursed an

employee \$11,500 for his closing costs. On another occasion, two Santee Cooper officials approved a reimbursement of \$8,066 for closing costs.

Attendance Incentive

Santee Cooper offers an attendance incentive bonus to all employees. Employee attendance records are evaluated every six months. An employee is rewarded with the choice of an extra day of pay or extra day of vacation if he/she has taken fewer than eight hours of sick leave or leave-without-pay during that six-month period. In 1993, Santee Cooper spent \$115,314 on attendance incentives to employees. Employees of other state agencies are not provided attendance incentives.

Year-End Bonus

Although not established as a written policy, Santee Cooper has awarded all employees a year-end bonus each of the past ten years. The bonus has been equal to 3 days pay with a maximum of \$1,000 (for those employed prior to September 1 of any given year). Those employed after September 1 received a \$75 bonus. In 1993, Santee Cooper spent \$706,250 for year-end bonuses.

By comparison, employees of other state agencies who earned less than \$35,000 annually received a one-time lump-sum payment of \$184 or \$368, depending on salary, in December 1993, and \$160 or \$320 in December 1992. In December 1989, state employees received a bonus of \$143 or \$286 depending on salary. In two years (FY 90-91 and FY 91-92), state employees did not receive a bonus.

Other Employee Benefits Available

Santee Cooper also provides optional benefits to employees, as well as certain benefits that only selected employees can take advantage of. These individual benefits are discussed below.

Employee Associations and Recreation

Santee Cooper has ten employee associations whose primary purpose is to promote social and recreational activities. Members pay annual dues, ranging from \$12 to \$20. Santee Cooper matches this amount (\$12 to \$20) for each member of the association. From 1991 through 1993, Santee Cooper contributed \$25,850 to the associations.

We found that the employee associations are not required to account for how these funds are spent. In addition, Santee Cooper does not have a policy outlining how these funds can be spent. Santee Cooper requires only a list of the members and officers and the organization's by-laws. In addition, one employee association pays members' dues entirely from canteen revenues.

We also found that profits from the canteens in the Moncks Corner headquarters are given to several departments in the agency to fund holiday parties. From January 1991 through December 1993, the Moncks Corner canteen funds totalling \$6,350 were distributed to department representatives. These representatives were not required to account for how the funds were spent.

From 1991 through 1993,
Santee Cooper spent
\$140,000 for agency picnics
and other social events.

In addition, Santee Cooper uses public funds to finance sporting and social events. From 1991 through 1993, Santee Cooper expended \$140,000 for annual company picnics, as well as bowling, golf, the corporate cup race, and softball tournaments. We discuss the legality of using public funds for recreation and social events on page 18.

Scholarship Fund

In 1994 Santee Cooper established a scholarship program for children of employees. Applicants must be dependents under age 24. Children of executive management, vice presidents, and certain other top-level employees are ineligible to participate in the program.

Santee Cooper plans to use this fund to award 3 scholarships of \$2,000 each for students enrolling in a four-year college and one \$1,000 scholarship to a student enrolling in or already enrolled in a two-year college or technical school.

Recreational and Training Facilities

Somerset Point

Somerset Point is Santee Cooper's recreational facility located in Pinopolis on Lake Moultrie. The facilities include a recreational building, cottages, and campers. Employees are allowed to use the facilities for personal events and activities for a \$25 fee for the recreational building, \$20 for a three- or four-night stay in a cottage or camper, and no fee for the picnic shelters.

Somerset is open to the public for a slightly higher charge. Santee Cooper charges \$25 for outside groups of 25 or less, and \$50 for groups with more than 25 persons. Also, the public is allowed to use the recreational building only from Monday through mid-day Friday. Cottages and campers are not available to the public.

Wampee Training and Conference Center

We examined the use of Santee Cooper's conference center to determine if it could be considered a benefit. While not an employee benefit, the Wampee Training and Conference Center, located in Pinopolis on Lake Moultrie, is primarily used for meetings and training programs primarily by industry, governmental entities, non-profit organizations, and school systems. From January 1, 1994, through July 30, 1994, 44 outside organizations used the facilities. Santee Cooper charges outside groups daily rates of \$25 for the assembly hall, \$15 for the conference room, and \$50 for the entire facility.

Benefits for Top-Level Employees

Santee Cooper provides the following benefits only to its key employees. Employees at other state agencies do not receive these benefits.

Supplemental Executive Program

In 1982, Santee Cooper established its Supplemental Executive Program or "key executive plan." The executive employees are determined by the president, with the approval of the board of directors. Executives chosen for this program receive extra retirement and insurance benefits described below.

Santee Cooper has a retirement plan for 37 "key" executives which pays retirement benefits in addition to regular state retirement benefits.

Table 2.3: Annual Retirement Payments as a Percentage of Employees' Salaries

Retirement Payments

Santee Cooper provides additional retirement benefits to 37 top-level employees. There are five separate categories of retirement benefits (see Table 2.3). For example, category one consists of the president. This employee, if he remains in the employment of Santee Cooper until retirement will receive a retirement payment each year for 15 years in the amount of 30% of his average compensation during the final 3 years of employment. This is in addition to regular state retirement benefits. Other executive employees receive retirement payments varying from 10% to 25% of their final compensation, as shown in the following table.

Category	Percentage of Salary Upon Retirement	Management Level	Current Number in Category
1	30%	President	1
2	25%	Executive Vice-President	4
3	20%	Vice President	7
4	15%	Senior Management	13
5	10%	Manager Level	12

As of January 1994, the program consisted of 37 active employees and 22 retirees. In 1993, Santee Cooper paid \$375,623 to retirees. As of December 1993, Santee Cooper's financial liability for this retirement plan was \$3.25 million.

Retirement Benefits Provided by Other Utilities

We compared retirement benefits provided to top-level employees at Santee Cooper with those at a government-owned and two investor-owned utilities. We found that the two investor-owned utilities provided post-retirement compensation benefits where retirees receive extra retirement payments

ranging from 25% to 75% of their final pay. The government-owned utility reported it does not provide post-retirement benefits. Tennessee Valley Authority, a government-owned utility, did not respond to our survey.

Disability and Life Insurance

Selected executives also receive additional life and long-term disability insurance, and a pre-retirement death benefit. For instance, Santee Cooper's disability plan pays 70% of an executive employee's salary for long-term disability, while the agency plan pays only 62.5% of a regular employee's salary in long-term disability payments.

In 1993, Santee Cooper spent almost \$20,000 in premiums for life insurance policies for 33 executives.

Annual Physical Examinations

Physical examinations are provided to selected Santee Cooper executive employees on an annual basis. Santee Cooper uses an independent evaluation system to qualify persons for this program. In 1994, 52 individuals received physical examinations, costing \$315 each (a total of \$16,380). Although Santee Cooper provides annual health screenings for all employees, these physical examinations are an additional benefit to selected employees.

Motor Vehicles

Prior to 1992, Santee Cooper leased vehicles for selected executive personnel; however, in 1992, Santee Cooper began phasing out this program and replaced it with a management vehicle program. Under the new program, employees receive monthly car allowance and reimbursement for business mileage, gasoline and maintenance costs. As of August 1994, 31 employees were receiving monthly allowances of \$332 to \$565 for using their personal vehicles, as well as reimbursement for other costs. When the management vehicle program is completely phased in, there will be 33 participants in the program. The cost to Santee Cooper for January 1, 1994, through August 31, 1994, was \$103,916. This included \$91,875 (88%) spent for monthly allowances to top-level employees. Santee Cooper spent a total of \$7,063 for gasoline reimbursements and \$4,978 for mileage reimbursements to employees enrolled in the vehicle program.

Leased Lake Lots

Santee Cooper's Property Management Division is responsible for the administration of approximately 4,500 leases around Santee Cooper lakes. These include recreational leases in the Santee Cooper subdivisions, leases adjacent to privately-owned subdivisions, commercial lots, and free leases to public and quasi-public entities. We reviewed Santee Cooper's management of the lots to determine if employees are provided leased lots and the amount of the leases.

We found that only one former employee and one current employee of Santee Cooper lease lake lots. Presently, there are no lots available for lease. As of September 1994, Santee Cooper had 2,141 applications on a waiting list for residential lots.

Among the residential properties, Santee Cooper manages the leases of approximately 51 subdivisions with 2,950 individual lots, of which 40% are waterfront lots. Lease rates are set by board resolution. According to Santee Cooper officials, in 1976, the board approved an amendment requiring that all new leases after 1976 be subjected to a rate increase on each fifth anniversary of the lease agreement.

Santee Cooper leases lots to a variety of individuals and entities including church groups, civic organizations, companies, and individuals or families. In our review of Santee Cooper's current leases, we found that the annual lease rates range from \$5 to \$652.

In July 1994, Santee Cooper conducted a survey of current lease holders to determine if they are interested in purchasing their leased lot sometime in the future. As of September 1994, Santee Cooper had received responses to 85% of the surveys mailed. Of the 2,164 persons responding to the survey, 78% indicated that they would be interested in purchasing their lots.

Legality of Benefits

Fringe Benefits

According to state Supreme Court decisions and opinions of the attorney general, Santee Cooper is not a traditional state agency and its employees are not subject to provisions which generally apply to employees of typical state agencies. In addition, Santee Cooper's board of directors is expressly authorized to fix the compensation of its employees (§58-31-30[12]).

After reviewing state laws, Supreme Court cases, and attorney general's opinions, we concluded that Santee Cooper has the authority to provide its employees with benefits which exceed benefits received by other state employees. These benefits can be provided if they serve a public purpose, are directly related to Santee Cooper's corporate purpose, and are prospective in nature (that is, do not constitute extra compensation after work has been performed).

Expenditures for Recreation and Social Events

Opinions of the attorney general have indicated that expending public funds (including canteen funds) for employee social and recreational activities might not promote a direct public purpose. For example, an opinion dated April 14, 1993, concluded that funds generated from vending machines in a sheriff's office should not be used for recreation for employees. A May 21, 1993 opinion, which generally supports earlier opinions that had criticized the expenditure of public funds for social events for employees, indicated that each factual situation should be evaluated individually, balancing public benefits with benefits to individuals. An expenditure which promotes the public health, safety, morals, or general welfare of all or a substantial number of Santee Cooper employees might meet the public purpose test.

According to Santee Cooper officials, the agency has not examined its expenditures of public funds for social and recreational activities to determine if they directly promote a public purpose.

Recommendations

- 1 Santee Cooper should comply with its policy that allows a maximum of \$7,500 as a reimbursement for closing costs.
- 2 Santee Cooper should reevaluate the propriety of using public funds to sponsor social and recreational activities for its employees.
- 3 If Santee Cooper continues to provide employee associations with funds, it should develop controls to ensure that the funds are expended for their intended purpose and in compliance with state law.
- 4 Santee Cooper should periodically examine employee benefits to determine their appropriateness and to determine whether costs can be reduced.

Chapter 2
Employee Benefits

Contributions to Outside Organizations and the State Treasury

In this chapter, we discuss Santee Cooper's contributions to outside organizations and payments to the state's general fund.

Contributions to Outside Organizations

Santee Cooper has used its funds to make financial contributions to public agencies, private organizations and certain activities such as town festivals. According to a list of contributions Santee Cooper provided members of the General Assembly in 1994 (see Appendix A), the agency contributed \$1.7 million to various organizations from January 1990 through December 1993. In 1993, Santee Cooper contributed approximately \$721,000 to 229 organizations and activities, area chambers of commerce, united ways, local hospitals, schools, and colleges and universities.

The board established by written policy various contribution amounts that agency officials can approve. The following table indicates different levels of approval authority.

Table 3.1: Maximum Amount of Contributions Which Can Be Approved

Santee Cooper Personnel	Maximum Individual Contribution that can be Approved by this Level
Vice-President, Horry-Georgetown Division	\$500
Senior Vice President	\$750
Executive Vice President	\$1,500
President	\$5,000
Chairman of the Board	\$10,000
Contribution Committee	\$25,000
Board of Directors	Above \$25,000

The policy does not specify a cap on the cumulative amount that can be authorized at the different levels.

We conducted a review of contributions made by Santee Cooper and found the following.

Contributions Not Listed

We compared the list of contributions for 1993 reported by Santee Cooper to all members of the General Assembly with Santee Cooper's financial records, to review the accuracy of the report.

Santee Cooper's report of contributions for 1993 lists 229 contributions totalling \$721,250. We found an additional \$62,015 provided to 37 organizations which were not listed as contributions. For example, in 1993, Santee Cooper donated \$27,000 to various colleges and universities to fund environmental scholarships. Also, a contribution of \$25,000 to an economic development authority was not included on the list.

Santee Cooper officials indicated that they did not consider these expenditures to be contributions as they were not paid from their contribution account. Santee Cooper considered these expenditures to be for advertising, economic development or employee sponsorships. Santee Cooper's list of contributions (see Appendix A, page 67) indicates that not all donations were included. Similar contributions, however, were included in the list of contributions that Santee Cooper provided to members of the General Assembly.

Solicitation of Contributions

Santee Cooper's policy concerning contributions does not address staff and board-member involvement in contributions. For example, the policy does not address contributions made to outside organizations whose boards of directors include Santee Cooper employees. Nor does it address contributions to projects on behalf of Santee Cooper board members (such as naming a facility for a board member in return for a contribution) or contributions in response to staff or board-member solicitations on behalf of outside organizations. Guidelines governing these type of contributions could help ensure that certain organizations, board members or staff do not receive favoritism when contributions are being considered.

For 1993, we found 16 contributions totalling \$186,500 to non-profit organizations whose boards included Santee Cooper staff, contributions on behalf of Santee Cooper board members, or staff and board-member solicitations for outside organizations.

For example, Santee Cooper pledged \$300,000 (\$50,000 per year for six years) in response to a university's fundraising effort. The university named a building after a board member. A staff member served as the president of a united way, which received \$58,000 from Santee Cooper in 1993. A hospital requested and received \$50,000 (\$25,000 per year for two years) to name a facility in honor of a Santee Cooper board member.

Matching Programs

Santee Cooper's education donation matching program (included in the list of contributions), is designed to match employee contributions to accredited two- or four-year public or private colleges or universities in South Carolina, state technical colleges and the ETV Endowment. Santee Cooper contributes a minimum amount of \$25 with a maximum of \$500. In 1993, Santee Cooper provided \$3,690 to 12 separate educational institutions or foundations.

In addition, not included in the list of contributions (Appendix A) are Santee Cooper's donation of staff time and resources to outside organizations. For each hour in a month that an employee contributes of personal time, Santee Cooper will match with one hour of agency time, up to a maximum of four hours of work time per month. Santee Cooper has not kept records on the amount of time employees donated to outside organizations.

Legality of Contributions

One of the objectives of this audit was to determine whether state law allows Santee Cooper to donate its funds to charities, civic organizations, educational institutions, and other entities. During the course of the audit (in September 1994), a lawsuit was brought against Santee Cooper challenging Santee Cooper's authority to make contributions. As of December 1994, the case had not been heard on the merits.

While the Audit Council has the authority to determine whether Santee Cooper has complied with applicable laws (§2-15-50), the court is the ultimate authority in deciding legal issues. Therefore, we will not attempt to preempt the authority of the court to resolve legal questions pending before it. However, in an effort to respond to the audit requestors, we are reporting the results of our review to the extent we believe appropriate without infringing on the court's authority.

Private Educational Institutions

The South Carolina Constitution (Article XI, §4) prohibits the expenditure of public funds for the direct benefit of any religious or other private educational institution. In 1993, Santee Cooper gave at least \$26,000 to private schools and colleges.

Public Purpose

Under South Carolina law, public funds must be expended for a public purpose.¹ Public funds are not limited to tax revenues but include funds from any source in the hands of a public official; this includes revenues from Santee Cooper's operations.² Public purpose has been defined by the state Supreme Court in the following way:

As a general rule a public purpose has for its objective the promotion of the public health, safety, morals, general welfare, security, prosperity, and contentment of all the inhabitants or residents, or at least a substantial part thereof.³

While each expenditure must be considered on its own merits, weighing public and private benefits, South Carolina Supreme Court cases and attorney general's opinions have indicated:

- It is unlawful to expend public funds for a nonprofit corporation which is sectarian or religious (for example, the YMCA or the Salvation Army).⁴

In 1993, Santee Cooper gave at least \$5,785 to religious organizations.

- It is unlawful to contribute public funds to civic organizations (for example, boys clubs) whose benefits extend only to the members.⁵

Santee Cooper has given funds to a number of organizations, such as boy scouts and girl scouts, which appear to benefit only the members (see Appendix A).

1,2,3,4,5,6,7 Appendix B lists, by footnote, the legal authorities we have relied upon.

Corporate Purpose

In addition to meeting the public purpose test, expenditures of public funds must also fall within the corporate purpose of the entity.⁶ This means that the expenditures must be germane to or legitimately connected to the mission of the agency. According to Santee Cooper's enabling legislation (§58-31-80 and §58-31-30), its mission or corporate purpose can be summarized as follows:

- To develop the Cooper, Santee and Congaree Rivers and certain tributaries so that they can be used for commerce and navigation.
- To reclaim wastelands by eliminating or controlling flood waters, and to reforest the watersheds of the rivers.
- To develop, sell, and distribute hydroelectric power.
- To treat, sell, and distribute water at wholesale.

Therefore, any expenditure of funds by Santee Cooper, in addition to serving a public rather than a private purpose, must also be directly related to the mission of the agency. A determination of whether an expenditure meets the corporate purpose of the entity rests with the governing body.⁷ However, in reviewing the donations listed in Appendix A, it is difficult to determine the relationship of many donations to Santee Cooper's mission.

Santee Cooper's written policy concerning contributions and donations does not include criteria for determining whether such expenditures will meet the public and corporate purpose tests.

Recommendations

- 5 Santee Cooper should discontinue its practice of contributing funds for the direct benefit of any religious or other private educational institution, since this practice is prohibited by Article XI, §4 of the South Carolina Constitution.
- 6 Pending a court decision on the legality of its contributions practice, Santee Cooper should:
 - Develop a written policy to ensure that all expenditures of funds to charities, civic organizations, educational institutions, and similar

entities meet both the public purpose test and corporate purpose test in accordance with South Carolina case law and attorney general's opinions.

- Develop a written policy governing the solicitation and approval of contributions by Santee Cooper board members and staff to organizations of which they are members or from which they might benefit from the contribution.
- 7 If the courts determine that Santee Cooper has the authority to contribute funds to outside organizations (or if the lawsuit is dismissed), the General Assembly may wish to consider amending Santee Cooper's legislation to provide guidelines governing the donation of public funds and resources.

Payments to State Treasury

Santee Cooper has broad authority in determining the amount of funds to remit to the state treasury.

We reviewed Santee Cooper's records to determine whether the agency returns funds to the state treasurer in accordance with state law. Section 58-31-110 of the South Carolina Code of Laws requires Santee Cooper to remit excess funds each year to the state's general fund. This law requires that:

... any and all net earnings thereof not necessary or desirable for the prudent conduct and operation of its business or to pay the principal of and interest on its bonds, notes or other evidences of indebtedness or other obligations or to fulfill the terms and provisions of any agreements made with the purchasers or holders thereof or others shall be paid over semiannually to the State Treasurer for the general funds of the State and shall be used to reduce the tax burdens on the people of this State.

In addition, a Santee Cooper bond indenture dated July 1, 1949, creates various accounts which must be funded by Santee Cooper before revenue can be transferred to the general fund.

Santee Cooper's board of directors has "full authority to manage the property and business" of the agency (§58-31-60). This includes the authority to determine the amount to remit to the state's general fund. The state Supreme Court has held that the enabling act clearly contemplates the exercise of discretion by the board, and that the courts will not interfere with the agency's discretionary powers except in cases of fraud or clear abuse of

power. *South Carolina Electric & Gas Co. v. South Carolina Public Service Authority*, 54 S.E.2d 777 (S.C. 1949).

In addition, an attorney general's opinion dated April 30, 1987, considered the validity of a provision in the appropriation bill which would have required Santee Cooper to remit \$4 million annually to the state. The opinion concluded that the General Assembly may not lawfully direct Santee Cooper to pay over a stated sum to the general fund.

Both the court and the attorney general have indicated that Santee Cooper's board of directors has broad authority to determine the amount of net earnings that should be remitted to the state. For example, if the board decided to use the net earnings to pay off debt, the state might not receive any funds. On the other hand, if the board decided to cut costs or increase electric rates, the state could receive additional revenues.

Board Policy for Remitting Funds

We reviewed Santee Cooper's policy for remitting funds to the state's general fund. In 1987 Santee Cooper changed its method for determining how much of its net earnings should be remitted to the state. The change was effective in FY 88-89. Prior to this change, the payment was based on the semiannual ending balance of the revenue account. Now payments due the state are determined according to a formula which remits 1% of projected revenue to the general fund. The following table shows the amounts remitted by Santee Cooper to the state's general fund since FY 86-87.

During a 1987 meeting of the board's finance-audit committee, Santee Cooper staff recommended that the payment to the state be based on a formula to provide for more consistency and objectivity. The revised method allowed the state to receive additional revenue. Management proposed that beginning in FY 88-89, the projected payment to the state be calculated as 1% of projected revenues. According to the minutes of this meeting, the board agreed with the recommended approach and asked that the formula be explained in the agency's budget analysis document.

**Table 3.2: Santee Cooper's
Payments Made to the State's
General Fund**

Fiscal Year	Amount
86/87	\$2,003,000
87/88	\$3,003,000
88/89	\$5,180,000 ^a
89/90	\$5,591,000
90/91	\$5,635,000
91/92	\$5,728,000
92/93	\$5,905,000
93/94	\$6,128,000

^a Year calculation for remitting funds to state was changed.

The state treasury could receive additional funds if all of Santee Cooper's revenues were included in its calculation for remitting funds.

We requested a copy of the formula as explained in Santee Cooper's budget analysis to determine if funds have been remitted to the state's general fund in accordance with the formula. Santee Cooper could not locate this formula.

Our review indicated that since FY 88-89 Santee Cooper has remitted 1% of its projected operating revenues to the state's general fund. However, Santee Cooper has excluded interest and miscellaneous revenue from its calculation of revenue due the state. In contrast, Santee Cooper does include interest and miscellaneous revenue in its calculation for payments made to the capital improvement fund. This fund is used by Santee Cooper primarily for construction projects.

Total projected interest and miscellaneous income for January 1992 through December 1994 was approximately \$50,597,000. Board minutes do not exclude those sources of revenue in the discussion of the formula for remitting funds to the state. We calculated the additional amount that would have been paid to the state if the calculation included projected interest and miscellaneous revenue. For January 1992 through December 1994 the projected additional amount totaled \$505,970, an average of \$168,657 per year.

Recommendation

- 8 Santee Cooper should consider using all revenue, including interest and miscellaneous income, when calculating the amount of funds due the state's general fund.

Chapter 3
Contributions to Outside Organizations and the State Treasury

Procurement of Goods and Services

In this chapter, we describe our limited examination of Santee Cooper's process for purchasing goods and services. Santee Cooper is generally exempt from state procurement laws. We conducted a limited review of Santee Cooper's purchasing practices to determine if sound business practices were used when purchasing goods and services. We found the following.

Coal Purchasing

Santee Cooper purchased approximately 4.4 million tons of coal per year in 1992 and 1993, according to agency records. Annual expenditures on coal during this period, excluding freight, were approximately \$119 million. In 1994, Santee Cooper had long-term contracts with five coal companies.

We analyzed the process used in 1992 by Santee Cooper to purchase coal under three long-term (five- to ten-year) contracts, for its generating stations in Cross and Georgetown, South Carolina. We reviewed the extent of competition in the process, the bids submitted, the factors used to compare coal of different quality, and Santee Cooper's analysis and award of the contracts. We found no material problems in Santee Cooper's process for purchasing coal under long-term contracts.

We found no material problems in Santee Cooper's process for purchasing coal.

We also analyzed the 1994 purchase of coal under short-term (six-month) contracts for Santee Cooper's generating stations in Cross and Georgetown. We reviewed the extent of competition, the bids submitted, the factors used to compare coal of different quality, and Santee Cooper's analysis and award of the contracts. We found no material problems in Santee Cooper's process for purchasing coal under short-term contracts.

Purchase of Railcars to Ship Coal

Santee Cooper ships its coal from mines in central Appalachia on railcars it owns and leases, and railcars owned by a railroad. As of November 1994, Santee Cooper owned 407 railcars and leased 374 railcars. We reviewed Santee Cooper's analysis supporting its decision to buy additional railcars in 1994 and found no material problems.

Santee Cooper has a freight contract with the only railroad which has tracks leading to Santee Cooper generating stations. Under this contract, when Santee Cooper uses railcars not owned by the railroad, the railway charges

a lower rate for hauling the railcars with railroad locomotives. Annual freight expenditures during 1992 and 1993 were approximately \$51 million.

In 1994, Santee Cooper entered into an agreement to purchase 198 railcars for approximately \$9.7 million. This purchase will bring the total cars owned up to 605. We reviewed Santee Cooper's efforts to obtain competitive proposals, the methodology it used to analyze the proposals, and the award decision.

Santee Cooper solicited proposals for both the purchase and lease of railcars. Agency staff calculated net freight savings expected from the proposals based on the purchase or lease of 187 railcars. According to Santee Cooper's most conservative estimate, the winning proposal would save approximately \$1.6 million in freight expenses per year in 1994 dollars for a 20-year period, compared to using railcars owned by the railroad. The savings projected by Santee Cooper are not likely to be precise due to the many assumptions and estimates required to conduct this type of analysis. These assumptions include interest rates, inflation, maintenance costs, and future freight rates after the current freight contract expires.

Santee Cooper's practice of purchasing and leasing railcars has been cost-effective.

We found no material problems in Santee Cooper's conclusion that purchasing 187 railcars would yield net savings or in its method of selecting a vendor. After selecting the vendor, Santee Cooper decided to purchase an additional 11 railcars for a total of 198. Using more conservative assumptions than Santee Cooper's, we calculated that the purchase of 198 railcars would yield net savings.

In addition, we conducted a limited review of Santee Cooper's practice of leasing 374 railcars. Using Santee Cooper's records, we estimated that leasing saved approximately \$1 million in freight expenses during the first six months of 1994.

The Fieldston 1994 Coal Transportation Manual lists electric utilities which own and/or lease railcars. Santee Cooper is the only South Carolina utility listed in the publication as owning or leasing railcars. Utilities in Alabama, Florida, Georgia, and Virginia, however, are listed as owning and/or leasing railcars. A utility in Alabama, for example, is listed as owning 396 railcars.

Single Source Purchases

Santee Cooper does not require that bids be solicited from more than one vendor to purchase goods or services when agency staff believe that the items are available from only one source. Competitive bids are also not required when it is believed that the quality and reliability sought by Santee Cooper can be met by only one source. Agency staff report that, depending on the item, they may assess quality and reliability based on independent analysis, staff analysis, or informal staff judgment based on experience. We found no material problems with these general practices.

Under purchase orders issued from July 1992 through June 1994, Santee Cooper records indicate that it spent approximately \$40.8 million on single source purchases of goods and nonprofessional services. During the same period, expenditures on professional services, such as consultants, engineers, and attorneys, were approximately \$8.4 million. Most professional services were obtained from single source suppliers, according to agency staff.

Santee Cooper has taken steps to seek additional suppliers of goods and services. For example, programs have been established to identify and preapprove additional suppliers of goods and services for its generating stations and its transmission and distribution system. With additional suppliers, the need for single source purchases is decreased.

The following are areas where Santee Cooper could improve the manner in which it makes single source purchases.

Goods and Nonprofessional Services

An internal audit performed by Santee Cooper in May 1994 found that Santee Cooper's reasons for single source purchases were not always documented.

To assess Santee Cooper's methods for purchasing goods and nonprofessional services, we reviewed agency policies and records and held discussions with agency staff. Confirming the agency's internal audit report, we found no requirement that purchasing records indicate the reasons for single source purchases of goods and nonprofessional services. As a result, we were not able to consistently determine the reasons for sole source purchases except through discussions with staff involved in the purchasing decision.

Brief, written statements which document the reasons for single source purchases could provide increased assurance that purchasing decisions are correct.

Professional Services

Santee Cooper's written policies for purchasing professional services are adequate but have not been consistently followed.

Since 1993, Santee Cooper policy has required that the reasons for all single source purchases of professional services be stated in writing. In addition, all contracts are required to be reviewed by and receive prior approval from the agency's purchasing staff.

We reviewed Santee Cooper's purchasing practices for ten professional service contracts, signed in 1994, under which the agency had made the largest expenditures through August 1994. Contract expenditures totaled \$975,136 and ranged from \$37,551 to \$340,269. Nine of the contracts we reviewed were single source purchases, for which we found the following:

Santee Cooper's policies for purchasing professional services have not been consistently followed.

- Purchasing records for five contracts contained no written statement of the reason for the single source purchase.
- Eight contractors were authorized to begin work *before* Santee Cooper purchasing staff approved the arrangements. For example:

One law firm was authorized to provide services from January 1, 1994, through December 31, 1994. Santee Cooper records indicate that purchasing staff were notified of this arrangement on February 21, 1994. In a March 18, 1994, letter, purchasing staff requested that the law firm sign a "letter of agreement" contract, as required by agency policy, and a "drug-free workplace certification" form, as required by §44-107-30 of the South Carolina Code of Laws. As of October 1994, the law firm had not signed the "drug free certification" form.

Written documentation of the reasons for single source purchases can provide increased assurance that purchasing decisions are correct. When purchasing staff are permitted to review contracts before they are entered into, there is increased assurance that the appropriate contracts have been signed, that legal requirements have been met, and that Santee Cooper procedures have been followed. In addition, purchasing staff may, in certain instances, be able to secure better terms than nonpurchasing staff.

Recommendations

- 9 Santee Cooper should amend its purchasing policy to require that purchasing records document the reason for each single source purchase.
- 10 Santee Cooper should comply with all agency policies relating to the purchase of professional services.

Blanket Purchase Orders

Santee Cooper does not have an adequate system to monitor the prices paid for goods received from vendors who have been issued nonspecific blanket purchase orders.

When Santee Cooper decides to purchase a good or service on a recurring basis, but is unsure of the quantity needed or how often it will be needed, a "blanket purchase order" may be issued. Agency employees are not required to submit requisitions to the agency's purchasing department to obtain an item from a vendor with a blanket purchase order. As a result of streamlining this process, administrative costs can be reduced.

Santee Cooper issues two types of blanket purchase orders:

- When the specific goods or services needed from a vendor are known in advance, Santee Cooper may issue a "specific blanket purchase order." Gasoline is an example of an item purchased under a specific blanket purchase order. From January 1994 through September 1994, Santee Cooper spent approximately \$8.4 million on goods and services purchased under specific blanket purchase orders issued in 1994.
- When the specific goods or services needed from a vendor are not known in advance, Santee Cooper may issue a "nonspecific blanket purchase order." Motor vehicle parts and service are examples of items purchased under nonspecific blanket purchase orders. For motor vehicle parts, a nonspecific blanket purchase order may state a discount from the manufacturer's list price, which the vendor agrees to charge. For motor vehicle service, a nonspecific blanket purchase order may state the rate per hour the vendor agrees to charge. From January 1994 through September 1994, Santee Cooper spent approximately \$5 million on goods and services purchased under nonspecific blanket purchase orders issued in 1994.

Santee Cooper does not have an adequate system for monitoring the price paid for goods received from vendors who have been issued nonspecific blanket purchase orders.

Santee Cooper does not have an adequate system for checking to ensure that vendors with nonspecific blanket purchase orders are charging the correct price for goods. An accounts payable official reported that it compares vendor invoices for services with the labor rates usually stated in nonspecific purchase orders. However, accounts payable reports that prices for goods are often not indicated on nonspecific purchase orders and, as a result, prices charged for goods are not usually checked. Santee Cooper reports that, from January 1994 through September 1994, it spent approximately \$1.3 million for goods using nonspecific blanket purchase orders which did not indicate the prices for the goods.

Recommendation

- 11 Santee Cooper should implement a system by which its accounts payable department ensures that vendors with nonspecific blanket purchase orders are charging the correct prices.

Land and Easement Procurement

Santee Cooper purchases land and easements to support its electric transmission and distribution systems. Santee Cooper also purchases land and easements to support its water transmission system. Total expenditures on land and easements were \$996,000 in 1992, \$1.3 million in 1993, and \$248,000 through July 1, 1994. In a limited review of the land procurement process, we found several transactions in which the purchase price was not supported by adequate written analysis or an independent appraisal.

We reviewed a sample of 46 land transactions for the two-year period, July 1992 through June 1994. Our sample included all purchases in which Santee Cooper paid more than \$10,000 per acre or less than \$100 per acre. The objective of our review was to assess the adequacy of the process used by Santee Cooper to determine the amount paid.

We found that, in some instances, a Santee Cooper right-of-way agent compared sales prices of similar land parcels to determine the value of a tract of land. In other instances Santee Cooper contracted with an independent appraiser. For some transactions, analyses were conducted by a Santee Cooper right-of-way agent *and* an independent appraiser.

After the initial analysis or appraisal has been conducted, Santee Cooper usually makes an initial offer to the land owner. When settlement with land owners appears unlikely or construction deadlines are imminent, Santee Cooper may condemn the land parcel. Condemnation proceedings require an outside appraisal.

Of the 46 transactions we examined, four with a purchase price greater than \$1,000 lacked adequate written documentation for determining the price.

Recommendation

- 12 Santee Cooper should document the justification of the price paid for all land, land easements, and related items.
-

Legal Services From Private Attorneys

Santee Cooper's executive vice president and general counsel serves as the agency's chief legal officer and supervises all legal matters. He determines whether his staff has the time and expertise to handle a legal matter or whether to hire a private attorney for services. Santee Cooper reports that its legal staff perform all legal services pertaining to negotiating and reviewing contracts and legal work involving personnel grievances. They also provide some of the services necessary in obtaining land easements and work closely with private attorneys hired to provide services.

From January 1990 through July 1994, Santee Cooper paid private attorneys \$8.3 million for litigation of two coal contracts. During the same general time period, an additional \$4.75 million was spent for legal services associated with general legal work and easements. Approximately \$1.37 million was expended for legal fees associated with issuing bonds. Total legal costs were more than \$14 million.

We reviewed Santee Cooper's process for procuring the services of private attorneys and a sample of bills submitted by the attorneys. The following summarizes our review.

General Legal Work

Santee Cooper has hired private attorneys for representation in lawsuits and disputes, to monitor state and federal legislation, lobby state and federal officials and to provide other general legal services. From January 1990 through May 1994, Santee Cooper's legal department expended \$3.9 million (excluding work involving two coal contracts, easements and bond counsel discussed later), an average annual expenditure of approximately \$900,000. The agency hired 29 law firms to provide these services. According to Santee Cooper officials, private attorneys are selected on the basis of their expertise in the appropriate legal matter. Santee Cooper pays private lawyers varying rates based on the type of work performed and the experience and expertise of the attorney.

The majority of these services were provided by two law firms, one in South Carolina and one in Washington, D.C. Santee Cooper paid these firms \$3.2 million, 82% of expenditures for general legal services. The South Carolina firm was paid hourly rates ranging from \$80 to \$195 per hour. The Washington, D.C. firm was paid hourly rates ranging from \$115 to \$315.

Santee Cooper paid other South Carolina private attorneys hourly rates of \$60 to \$190 per hour, depending on the type of service provided.

Santee Cooper is permitted to hire private attorneys without approval of the South Carolina attorney general. The attorney general approves the retention and fees of private attorneys for state agencies that purchase through the state procurement code and/or executive branch agencies that expend state appropriations. Firms located in South Carolina are authorized to bill the state an hourly rate of up to \$85, unless very specialized legal services justify a higher rate. The attorney general allows higher rates to be paid to out-of-state firms. For example, firms in Washington D.C., Atlanta, Boston and other cities received fees ranging from \$150 to \$270 per hour in FY 93-94 to provide services for state agencies and universities.

Easements

In addition to the legal work discussed above, private attorneys have been hired to provide legal services associated with obtaining land, easements and rights of way for transmission lines and enforcement of easements. From January 1990 through August 16, 1994, Santee Cooper expended \$850,000 for these legal services. One attorney was paid \$550,000 or 65% of these expenditures, for legal services necessary to obtain easements and rights of way. This attorney charged \$90 per hour for services.

Bond Counsel

Santee Cooper has retained one law firm since 1990 to provide legal services associated with issuing bonds and borrowing funds. From January 1990 through April 1994, this firm was paid \$1.37 million for work associated with issuing revenue bonds, commercial paper and other work pertaining to Santee Cooper's finances. Santee Cooper's bond attorneys charged 60¢ per \$1,000 of bonds issued.

The Budget and Control Board approves the selection of firms and the setting of fees for bond attorneys for state agencies, but not Santee Cooper. The board allows bond attorneys to be paid \$1 per \$1,000 of bonds issued and will allow for higher fees in "unusual circumstances."

Itemized Billings

During our review, we found that two firms did not provide detailed, itemized billings of their services. One attorney submitted only the total number of hours he worked each month and the amount of money that he was owed. Another firm identified the work performed and submitted the number of hours each attorney worked for Santee Cooper, but did not provide itemized services performed by each attorney.

In contrast, other firms that provided services to Santee Cooper submitted detailed billings, sometimes describing services that took only six minutes to perform.

The attorney general requires private attorneys who provide services to state agencies under his jurisdiction to submit itemized billings, which include the amount of time spent on each task.

Detailed, itemized billings would assist Santee Cooper in managing its legal budget.

Conclusion

Santee Cooper has paid private attorneys in South Carolina higher hourly rates than those normally approved by the attorney general for private attorneys who provide services to other state agencies. The attorney general has approved fees in excess of \$85 per hour for specialized legal services. We have not analyzed Santee Cooper's payments to private attorneys in South Carolina to determine if the services would warrant rates exceeding \$85 per hour. Fees paid to out-of-state attorneys are comparable to those

approved by the attorney general for private attorneys who provide services to other state agencies. Santee Cooper's bond attorneys have been paid rates lower than those allowed for bond attorneys who provide services to other state agencies.

Recommendation

- 13 Santee Cooper should require private attorneys to submit itemized monthly bills which adequately document the services provided and the time spent providing each service.

Renegotiation of Coal Contracts

In November 1990, Santee Cooper filed a lawsuit in state court (Court of Common Pleas in Berkeley County), against a coal company, an employee of the coal company, and a former Santee Cooper employee. The lawsuit, which sought unspecified financial damages, alleged that the coal company and a Santee Cooper employee had engaged in illegal and corrupt activities in the negotiation and administration of two coal contracts. These contracts, signed in 1978 and 1980, were periodically amended. Santee Cooper was required to purchase 2.25 million tons of coal per year from 1992 through 1999, 2 million tons in 2000 and 2001, and 1 million tons from 2002 through 2004. As of February 1991, the cost was approximately \$35 per ton (excluding transportation). The contracts allowed for price increases or decreases based on costs.

We examined Santee Cooper's procurement of the lead attorney to represent the agency in litigation against the coal company and the results of this litigation. We excluded from this review litigation against a coal company employee and a former Santee Cooper employee. We also excluded fees (approximately \$2.3 million) paid to other attorneys who assisted Santee Cooper's lead attorney in the litigation.

The following summarizes our review of Santee Cooper's litigation.

Hiring of Counsel

In 1990, Santee Cooper hired an attorney for representation in this lawsuit without having a clear, written agreement concerning the fees which would be paid. The agency verbally agreed to pay this attorney a retainer of \$25,000, \$250 per hour, and a bonus if the attorney could nullify two contracts being contested by Santee Cooper. A maximum of \$7.5 million in attorney's fees would be paid if both contracts were broken.

As a result of the litigation, the two contracts with the coal company were renegotiated rather than broken. Santee Cooper and the private attorney had not established the specific amount of bonus to be paid, if any, if the contracts were renegotiated (and not broken). While work was in progress, Santee Cooper paid the attorney \$1.1 million based on the number of hours worked at \$250 per hour, and his expenses. After the contracts were renegotiated, the attorney requested that he be paid \$7.5 million. Santee Cooper refused to pay this amount, taking the position that the contracts had been renegotiated, and not broken. After negotiations, Santee Cooper paid the attorney an additional \$4.9 million for a total of \$6 million for legal services associated with the litigation.

Litigation of Coal Contracts

We examined pleadings, briefs and correspondence prepared by Santee Cooper's private attorney in lawsuits against the coal company. The following briefly summarizes the extensive litigation between the two parties.

Litigation in State Courts

Santee Cooper's lawsuit alleged that the coal company engaged in corrupt practices in the negotiation and administration of two contracts. A coal consultant hired by Santee Cooper indicated that the corruption in coal purchases cost Santee Cooper up to \$100 million between 1977 and 1991.

The coal company filed a motion to dismiss the case, which was denied by the court in March 1991. The coal company appealed to the South Carolina Supreme Court.

Beginning in April 1991, Santee Cooper obtained court orders in Berkeley County to "attach" (or place in escrow) assets of the coal company. As a result, more than \$33 million in payments for coal were placed into an escrow account with the Berkeley County Clerk of Court instead of being

paid to the coal company. The coal company appealed this action to the South Carolina Supreme Court.

Litigation in Federal Courts

In December 1990, the coal company filed a complaint in U.S. District Court in Kentucky, attempting to compel arbitration of the coal contracts with Santee Cooper. The court dismissed the case, and the coal company appealed to the Sixth Circuit Court of Appeals. The coal company lost the appeal, and appealed to the U.S. Supreme Court. The U.S. Supreme Court refused to hear the case.

In May 1991, the coal company filed a suit in U.S. District Court in Charleston, challenging the constitutionality of the South Carolina law allowing coal payments to be held in escrow. The company also sought to stop (enjoin) additional payments from being placed in escrow. The court denied the request, and the company appealed to the Fourth Circuit Court of Appeals.

Bankruptcy Court

In April 1992, the coal company filed for reorganization under Chapter 11 of the bankruptcy laws in federal court in Texas. The coal company's appeals (previously mentioned) in state and federal courts were "stayed" (placed on hold) pending the outcome of the bankruptcy court case.

In July 1992, the coal company and Santee Cooper agreed to settle their dispute and renegotiated the two contracts. In September 1992, the bankruptcy court approved a renegotiated contract, thus ending the litigation. The pending appeals involving the coal company to state and federal courts were dismissed.

According to documents we reviewed, Santee Cooper's management and its private attorney believed it was prudent to settle the litigation rather than take the risk that the bankruptcy court would require continuation of the two contracts or issue a ruling unfavorable to Santee Cooper.

Results of Litigation

In October 1992, as a result of the extensive litigation between Santee Cooper and the coal company, the new contract became effective. This contract allowed Santee Cooper to purchase fewer tons of coal than previously required and reduced the price of coal.

Santee Cooper documents indicate that it will save \$251 million over approximately 13 years as a result of renegotiating the contracts. These savings are estimates and will vary according to changes in inflation or other industry factors. We examined Santee Cooper's estimates of savings and found that they are materially accurate. The following summarizes the amount of expected savings.

- Between September 1991 and June 1992, the coal company quit selling coal to Santee Cooper due to the litigation. Santee Cooper was able to purchase coal from other suppliers for approximately \$22 per ton, instead of more than \$35 per ton that the contracts required in 1991. This saved Santee Cooper \$25.7 million.
- Under the new contract with the coal company, which became effective on October 1, 1992, Santee Cooper is to purchase 19.75 million tons of coal through December 2003 at a base price of \$29.36 per ton. The previous contracts required payment of \$36.32 per ton for coal beginning in October 1992. (Price increases for increased costs are allowed in both contracts.) Santee Cooper's purchase of lower-priced coal will result in savings of \$137.3 million.
- Santee Cooper will purchase 3.7 million fewer tons of coal from 1993 through the year 2004 than the previous contracts required; this will allow the agency to save money by replacing this coal with less expensive coal. Santee Cooper will save approximately \$88.4 million through December 2004 as a result of this contract revision.

Santee Cooper realized significant savings as a result of its litigation with the coal company.

Reasonableness of Attorney Fees

We reviewed the fees paid to Santee Cooper's lead attorney to determine if they were reasonable for the services rendered. When Santee Cooper hired this attorney, he requested payment based on a contingency fee. Had Santee Cooper agreed to pay a fee of 15%, which he requested, he would have earned more than \$37 million. As a result of Santee Cooper's management capping the fee at \$7.5 million (\$6 million was actually paid), the fee was approximately 2.4% of the total savings.

In this case, the courts were not involved in awarding attorney fees. In South Carolina, the factors that courts consider in awarding attorneys fees are:

- The nature, extent and difficulty of the legal services;
- The time and labor necessarily devoted to the case;
- The professional standing of counsel;
- The contingency of compensation;
- The beneficial results accomplished; and
- The fee customarily charged in the locality for similar legal services.

By comparison, retired federal employees sued the state of South Carolina for tax refunds they claimed that they were owed and received a \$73 million settlement. In 1994, the court allowed the attorneys who represented the retired employees to receive 19.5% of the settlement, or more than \$14 million.

Based on our review, we could find no evidence that legal fees paid for litigating the coal contracts were unreasonable.

Conclusion

Santee Cooper's initiative to renegotiate contracts which were allegedly negotiated through corruption resulted in significant savings to the agency and its customers. However, the agency should have more clearly specified the amount of legal fees which its attorney could have earned.

In May 1993, Santee Cooper enacted a policy pertaining to the procurement of professional services, including the procurement of attorneys. This policy outlines procedures which must be followed when hiring private attorneys for litigation, and requires attorneys to sign a "letter of agreement" concerning services to be provided (see p. 34).

Chapter 4
Procurement of Goods and Services

Appendices

Santee Cooper's List of Contributions From January 1990 Through December 1993

1993

1.	Berkeley County Kids Who Care	\$ 1,000.00
2.	Winyah Bassmasters	500.00
3.	USC Developmental Foundation (Seismic Network)	10,000.00
4.	United Way of Horry County	22,797.84
5.	S. C. Downtown Development Association	1,000.00
6.	Lord Berkeley Academy	1,000.00
7.	Moncks Corner Rotary Club	500.00
8.	S. C. Wildlife Federation	500.00
9.	YWCA - Martin Luther King Celebration	1,000.00
10.	S. C. Forestry Association - Media Promotion	5,000.00
11.	S. C. Business Hall of Fame	1,250.00
12.	Junior Achievement of Coastal SC, Inc. (Spring Semester at Berkeley High)	950.00
13.	Public Relations Society of America	300.00
14.	Berkeley County Trident Literacy Association	2,500.00
15.	Little River Improvement Association	3,000.00
16.	College of Charleston Math-Science Weekend	500.00
17.	Conway High School	100.00
18.	United Way of Horry County (Victory Luncheon)	90.90
19.	Berkeley Elementary School	250.00
20.	Youth Enrichment Adventure, Inc.	5,000.00
21.	R. A. Ready Intermediate School	500.00
22.	1993 SSBLAA Conference (S. C. Wildlife & Marine Resources)	500.00
23.	Waccamaw Arts and Crafts Guild	250.00
24.	Trident United Way	27,500.00
25.	Trident United Way (TWIN Program)	300.00
26.	G. R. I. P. P.	2,500.00
27.	Lowcountry MADD	1,650.00
28.	The Wildcats Softball Team	300.00
29.	Columbia Green	1,000.00
30.	Roper Berkeley Center	20,000.00
31.	Georgetown County Parks and Recreation Department	350.00
32.	Boy Scouts of America	1,000.00
33.	Charleston Symphony Orchestra	100.00
34.	Aynor Lions Club	100.00
35.	1993 Heritage Award	5,600.00
36.	Harry Hampton Memorial Wildlife Fund	200.00
37.	Horry County Conservation Foundation, Inc.	500.00
38.	Summerville Girls Softball League	200.00
39.	Lowcountry Open Land Trust	200.00
40.	Independent Colleges and Universities of South Carolina, Inc.	10,000.00
41.	Habitat for Humanity of Greater Berkeley County	2,950.00
42.	Horry Soil and Water Conservation District	100.00
43.	Berkeley Soil and Water Conservation District	100.00
44.	S. C. Conference NAACP's Freedom Fund Dinner	700.00
45.	The National Wild Turkey Federation	200.00

46.	South Carolina Special Olympics	1,250.00
47.	Mechanical Contractors Association of S. C.	250.00
48.	Conway Department of Parks and Recreation (Conway Parents Club)	100.00
49.	Boy Scout Troop, 301	500.00
50.	Green Sea Floyds High School	100.00
51.	Bell & Schlau Track and Field	1,500.00
52.	Georgetown Tidewater Bassmasters	500.00
53.	Georgetown County United Way	15,457.08
54.	George Patrick (Santee Cooper Ball Team)	600.00
55.	Grand Strand Career Center #207	60.00
56.	Georgetown Soil and Water Conservation District	100.00
57.	Georgetown County Parks and Recreation	250.00
58.	College of Charleston	5,000.00
59.	The Teen Companion Program	200.00
60.	March of Dimes - WalkAmerica	100.00
61.	Central South Carolina Habitat for Humanity	2,000.00
62.	Trident United Way (Berkeley County Center)	200.00
63.	The Scholarship Fund	100.00
64.	Berkeley County Office of Veterans Affairs	2,000.00
65.	Socastee High School	100.00
66.	South Carolina Watercolor Society	250.00
67.	March of Dimes - WalkAmerica (H-G Division)	300.00
68.	Juvenile Restitution Program	5,000.00
69.	South Carolina Business Center for Excellence in Education	5,000.00
70.	The Campaign for Clemson	50,000.00
71.	Myrtle Beach Convention Center	25,000.00
72.	South Carolina Waterfowl Association (Net)	5,000.00
73.	Better Business Bureau of Coastal Carolina	950.00
74.	South Carolina Conservation Districts Foundation, Inc.	500.00
75.	The Georgetown County Braves	150.00
76.	Diabetes Research & Education Fund Health Sciences Foundation (Memorial for Nancy Moore Thurmond)	500.00
77.	Cross Branch of the NAACP	200.00
78.	Berkeley High School Mock Trial Team	250.00
79.	Myrtle Beach Rotary Club (Police Officer of the Year)	50.00
80.	Andrews Good Ole Days	500.00
81.	South Carolina Aquatic Plant Management Society	1,500.00
82.	South Carolina Department of Youth Services	150.00
83.	Moncks Corner Celebration Committee	500.00
84.	State Development Board	25,000.00
85.	Charleston Air Force Base Invitational Golf Tournament	200.00
86.	Cross High School	100.00
87.	Municipal Association of South Carolina	100.00
88.	South Carolina Odyssey of the Mind	800.00
89.	Y Run for the Corner Race	300.00

90.	Christmas Lights (Loris, Conway, Surfside Beach, N. Myrtle Beach, St. Stephen, Moncks Corner, Garden City, Murrells Inlet, Little River Chamber of Commerce)	5,027.99
91.	City of Myrtle Beach ("Treasures by the Sea")	5,000.00
92.	Teacher of the Year Awards (Horry County)	4,600.00
93.	Beach Sweep/River Sweep '93	500.00
94.	Pickens County School Referendum	2,000.00
95.	Surfside Area Rotary Club	100.00
96.	The Columbia Museum	2,000.00
97.	American Legion, Berkeley Post 126	100.00
98.	Georgetown Memorial Hospital	500.00
99.	City Year - Columbia	10,500.00
100.	Junior Achievement of Coastal SC, Inc.	500.00
101.	Trident Technical College	2,500.00
102.	T&T Sports (Santee Cooper Women's Softball Team)	394.54
103.	Berkeley County Arts Council	7,500.00
104.	Juvenile Restitution Program, Inc.	375.00
105.	Cameo Awards	200.00
106.	Conway Main Street U. S. A., Inc.	500.00
107.	Berkeley County Senior Citizens (Meals on Wheels Program)	4,500.00
108.	North Myrtle Beach High School Project Graduation (Drug-Free Event for the Graduates)	100.00
109.	Junior Achievement of Coastal SC, Inc.	1,000.00
110.	Trident United Way (Graduate Intern for United Way)	500.00
111.	Georgetown High School Booster Club (Ad in G'Town High Football Program)	100.00
112.	Trident United Way (2nd part of Corporate Pledge)	27,500.00
113.	Project Challenge (Inter-City At-Risk Youth Initiative)	5,000.00
114.	Historic Ricefields Association, Inc. (Georgetown County)	5,000.00
115.	American Cancer Society (Horry and Georgetown Counties)	500.00
116.	The Town of St. Stephen (Veterans Park Electricity)	114.35
117.	Trinity United Methodist Church (Group Work Camp Foundation)	500.00
118.	Berkeley County Extension Fund (4-H Club - Horses R Us)	50.00
119.	S. C. Wildlife & Marine Resources (John C. Land, II Boating and Fishing Facility)	25,000.00
120.	Clarendon Memorial (C-T Scan Unit Area)	25,000.00
121.	Allen University (Financial Support)	1,000.00
122.	Hilton Head Island Audubon Society (Audubon Newhall Preserve)	1,000.00
123.	Heritage Foundation (Charles Fraser Endowment Fund-Clemson)	10,000.00
124.	AGAPE (Inner-City Young People Rescue & Enhancement Project)	1,600.00
125.	YWCA Project Explore (\$25 each - Kevin Brawley, Dashawn Carter, Jason Primeau, St. Julian Snider, Alicia Stoll)	125.00
126.	Ocean Breeze Workcamp Fund (Summer Work Camp for Christian Youth)	500.00
127.	Pawleys Island Lions Club (One-line Listing in the Lions Club Calendar)	100.00
128.	Keep South Carolina Beautiful (Governor's Task Force on Litter)	500.00

Appendix A

Santee Cooper's List of Contributions From January 1990 Through December 1993

129.	South Carolina Association of Counties (Patron Membership Renewal)	1,000.00
130.	South Carolina Arts Alliance (Business/Corporate Donation)	100.00
131.	Junior Achievement of Horry County (Applied Economics Class)	950.00
132.	U. S. Youth Games National Competition (Help Sponsor 100 Low Income Youth)	200.00
133.	Town of Pawleys Island (Turtle Strut)	100.00
134.	Horry County Heart Association	500.00
135.	Berkeley Artist Guild (Old Santee Arts & Fine Craft Exhibition)	1,000.00
136.	Carolina Children's Charity ("Strut")	100.00
137.	Charleston Corporate Cup (Sponsor Two Teams at \$400 Each)	800.00
138.	Moncks Corner Branch N.A.A.C.P. (1993 Freedom Fund Drive)	1,000.00
139.	Afro Fest '93 (Festival sponsored by Town of Atlantic Beach)	500.00
140.	Teacher of the Year Awards - Georgetown County	2,700.00
141.	Goose Creek Men's Basketball League (League Fee)	290.00
142.	Cystic Fibrosis Foundation - SC Chapter (Corporate Sponsor)	3,000.00
143.	South Carolina Governor's School for the Arts (Corporate Pledge)	500.00
144.	The Great Bonneau P'Nut Boil Festival	100.00
145.	Grand Strand YMCA (Support of their programs)	500.00
146.	Children's Hospital Fund (Christmas Card Project)	1,000.00
147.	Myrtle Beach Lions Club (Candy Day Drive)	100.00
148.	Leadership South Carolina (National Resources Program)	1,000.00
149.	Moncks Corner Lions Club (Candy Drive)	100.00
150.	Jenkins Orphanage Institute (3rd Annual Fundraising Banquet)	500.00
151.	Santee Cooper Bridge Run	5,000.00
152.	Junior Achievement of Horry County (Fall Pledge for Applied Economics)	950.00
153.	Conway Hospital Foundation (3-year Pledge - 1992-1994)	1,000.00
154.	Loris Civitans (Ad in Loris High School Football Program)	150.00
155.	Palmetto Partnership (Foundation for Drug Abuse Prevention)	2,500.00
156.	Conway Lions Club (Annual Candy Day Drive)	100.00
157.	City Year (Airfare for Two Columbia Corpsmembers to Boston)	700.00
158.	10th Annual Run for Thanks (Non-Profit Event for Disadvantaged Kids in Berkeley County)	200.00
159.	Georgetown County Parks & Recreation (Plantersville Little League Football Program)	200.00
160.	Horry Cultural Arts Council (Membership Fee)	250.00
161.	Charleston Speech and Hearing Center (One Free Day of Testing at Coastal Carolina Fair)	125.00
162.	R. A. Ready Intermediate School (Donation for Science Lab)	100.00
163.	Kiwanis Club of Conway (Athletic Track for Use of Conway Schools)	100.00
164.	Education Donation Matching Program	3,690.00
165.	S. C. Ducks Unlimited - Berkeley Chapter (Greenwings Program)	500.00
166.	Playcard Environmental Education Center (Membership Fee)	250.00
167.	Aynor High School Booster Club (Athletic Programs)	100.00
168.	The Palmetto Conservation Foundation (SC State Trail)	1,000.00
169.	Long Bay Symphonic Society (Enhance Area Cultural Activities)	200.00
170.	The United Negro College Fund, Inc. (UNCF Campaign)	5,000.00

Appendix A

Santee Cooper's List of Contributions From January 1990 Through December 1993

171.	Clemson University Foundation (Scholarship Fund)	1,000.00
172.	S. C. Department of Social Services - Dorchester County (Family Preservation Initiative to the Community)	250.00
173.	Georgetown County Arts Commission	3,500.00
174.	Eldercare Coalition	500.00
175.	Girl Scout Troop 315	500.00
176.	Palmetto Partnership	5,000.00
177.	St. Stephen Volunteer Fire Department (Christmas Parade)	100.00
178.	State of South Carolina/In Defense of Charleston	133,336.00
179.	The Berkeley County Rescue Squad	5,000.00
180.	Northern Horry Rescue Squad	500.00
181.	North Myrtle Beach Rescue Squad	500.00
182.	Myrtle Beach Rescue Squad	500.00
183.	Aynor Rescue Squad	500.00
184.	Garden City/Murrells Inlet Rescue Squad	500.00
185.	Pawleys Island/Litchfield Beach Rescue Squad	500.00
186.	Surfside Beach Rescue Squad	500.00
187.	Horry Rescue Squad	500.00
188.	Winyah Rescue Squad	500.00
189.	Santee Circle Volunteer Fire Department	3,500.00
190.	Shulerville/Honey Hill Rural Fire Department	500.00
191.	Pimlico Rural Fire Department	2,000.00
192.	Pineridge Rural Fire Department	500.00
193.	Alvin Rural Fire Department	500.00
194.	Huger Rural Fire Department	500.00
195.	Cainhoy Rural Fire Department	500.00
196.	Longridge Rural Fire Department	500.00
197.	Lake Moultrie Rural Fire Department	500.00
198.	41 Community Volunteer Fire Department (Facility Improvements)	1,000.00
199.	Berkeley County Chamber of Commerce (Membership Dues)	5,000.00
200.	South Carolina Chamber of Commerce (Membership Dues)	5,000.00
201.	Charleston Trident Chamber of Commerce (Membership Dues)	5,135.00
202.	Greater Columbia Chamber of Commerce (Membership Dues)	304.00
203.	Bamberg County Chamber of Commerce (Membership Dues)	275.00
204.	Loris Chamber of Commerce, Inc. (Membership Dues)	243.00
205.	S. C. Chamber of Commerce (Leg. Reception)	600.00
206.	Little River Chamber of Commerce (Blue Crab Festival)	5,000.00
207.	Georgetown County Chamber of Commerce	700.00
208.	Charleston Trident Chamber of Commerce (Armed Forces Week)	250.00
209.	Myrtle Beach Chamber of Commerce (Sun Fun Festival)	2,000.00
210.	Conway Area Chamber of Commerce (Salute to Education)	75.00
211.	Berkeley County Chamber of Commerce (Teacher of the Year Awards)	4,550.00
212.	Myrtle Beach Area Chamber of Commerce	348.75
213.	Georgetown County Chamber of Commerce (Membership Dues)	1,000.00
214.	Myrtle Beach Area Chamber of Commerce (Membership Dues)	2,913.00
215.	SCCPA Conference Fund	200.00
216.	State of SC - Office of the Governor (In Defense of Charleston Committee)	36,664.00

217.	YWCA of Greater Charleston	1,500.00
218.	YWCA of Greater Charleston	60.00
219.	Greater Florence County Chamber of Commerce	225.00
220.	St. Stephen High School - Junior Achievement	33.60
221.	Surfside Beach Area Business & Professional Association	375.00
222.	Loris Chamber of Commerce (Loris Bog-Off Festival)	500.00
223.	Little River Chamber of Commerce (Membership Dues)	200.00
224.	Conway Area Chamber of Commerce (Membership Dues)	535.00
225.	Conway Area Chamber of Commerce (Conway Christmas Parade)	385.00
226.	Carolina Air Pollution	250.00
227.	Conway Area Chamber (Waccamaw Riverfest)	500.00
228.	Georgetown County Chamber of Commerce	5,000.00
229.	Mentoring Program	887.66
	Total	\$ 721,242.71

1992

1.	S. C. Business Hall of Fame	1,250.00
2.	S. C. State Museum Foundation	250.00
3.	Junior Achievement of Coastal SC, Inc.	950.00
4.	Junior Achievement of Coastal SC, Inc.	1,000.00
5.	Education Donation Matching Program	4,170.00
6.	Junior Achievement of Coastal SC, Inc. (Horry-Georgetown Division)	900.00
7.	S. C. Chamber of Commerce - Excellence in Education	10,000.00
8.	S. C. Downtown Development Association, Inc.	1,000.00
9.	Charleston Trident Chamber of Commerce	5,135.00
10.	S. C. Forestry Association - Media Promotion	5,000.00
11.	Santee Cooper Explorer's Post	400.00
12.	City of Georgetown Gifts of Life Smoke Detector	5,000.00
13.	PRSA Mercury Awards Ceremony	300.00
14.	Bamberg County Chamber of Commerce	275.00
15.	Moncks Corner Rotary Club	500.00
16.	National Wild Turkey Federation	300.00
17.	Waccamaw Arts and Crafts Guild	250.00
18.	1992 Freedom Fund Dinner	600.00
19.	Berkeley Soil & Water Conservation District	100.00
20.	USC Development Foundation (SC Seismic Network Consortium)	10,000.00
21.	Santee Circle Rural Fire Department	3,500.00
22.	Town of Moncks Corner Recreation Department	150.00
23.	Little River Blue Crab Festival	3,000.00
24.	Little River Improvement Association	2,500.00
25.	The S. C. Downtown Development Association	250.00
26.	Conway Christmas Lights	306.08
27.	Surfside Beach Christmas Lights	76.46
28.	North Myrtle Beach Christmas Lights	1,083.34
29.	Myrtle Beach Christmas Lights	893.39
30.	Loris Christmas Lights	407.00
31.	Berkeley High School - Odyssey of the Mind Program	500.00
32.	S. C. Business Hall of Fame	1,250.00
33.	Berkeley County Kids Who Care	1,000.00
34.	Conway Main Street, U.S.A., Inc.	500.00
35.	Georgetown United Way	16,160.68
36.	T&T Sports (Softball Team)	558.60
37.	The Leukemia Society, South Carolina Chapter	200.00
38.	Berkeley Middle School Improvement Council	300.00
39.	Georgetown County Parks and Recreation	200.00
40.	S. C. Governor's School for Science and Mathematics	40,000.00
41.	Loris Chamber of Commerce	243.00
42.	United Way of Horry County, Inc.	25,000.00
43.	S. C. Odyssey of the Mind	845.00
44.	41 Section Volunteer Fire Department	1,500.00
45.	Pringletown Volunteer Fire Department	1,500.00
46.	March of Dimes WalkAmerica	300.00

Appendix A**Santee Cooper's List of Contributions From January 1990 Through December 1993**

47.	Sandridge Volunteer Fire Department	1,500.00
48.	Lebanon Volunteer Fire Department	1,500.00
49.	S. C. Conservation Districts Foundation, Inc.	500.00
50.	Winyah Bassmasters	500.00
51.	Horry-Georgetown Division Softball Team	200.00
52.	South Carolina Academy of Science	300.00
53.	Conway Booster Club	100.00
54.	Conway High School	100.00
55.	Youth Enrichment Adventure	1,000.00
56.	Doolittle Raiders' 50th Celebration	5,000.00
57.	Charleston Trident Chamber of Commerce	100.00
58.	Charleston Symphony Orchestra	100.00
59.	Lowcountry Open Land Trust	200.00
60.	Conway Area Chamber of Commerce	75.00
61.	Grand Strand Career Center Scholarship Fund	100.00
62.	Georgetown County Easter Seals	200.00
63.	Cameo Awards	100.00
64.	City of Georgetown	100.00
65.	S. C. Special Olympics	595.00
66.	S. C. Coastal Conservation League	1,000.00
67.	Horry County State Bank (A Taste of Loris)	150.00
68.	Socastee High School	100.00
69.	Santee Cooper-Lights for Rodeo, St. Stephen (Omar Cowboys)	369.79
70.	Better Business Bureau of Coastal Carolina	827.29
71.	Columbia Green	500.00
72.	Juvenile Restitution Program	5,000.00
73.	The Institute of Electrical and Electronic Engineers Foundation	2,000.00
74.	Voluntary Action Center of the Trident United Way	250.00
75.	Myrtle Beach Rotary Club	50.00
76.	Trident United Way (1/2 payment)	25,000.00
77.	USC Educational Foundation	3,000.00
78.	Tiboro Trophy & Silk Screening Co. (Santee Cooper Women's Softball)	343.35
79.	National Society of Black Engineers, Inc.	100.00
80.	Berkeley Elementary School	1,200.00
81.	Boy Scout Troop 301	500.00
82.	Georgetown County Parks and Recreation	100.00
83.	Fraternal Order of Police - Horry County Lodge	75.00
84.	Georgetown Soil and Water Conservation District	100.00
85.	S. C. Chamber of Commerce (Gold Host Sponsorship)	600.00
86.	The Adam Walsh Child Resource Center (S. C. Office)	1,000.00
87.	Moncks Corner Family YMCA	300.00
88.	Myrtle Beach Area Chamber of Commerce	498.75
89.	Charleston Trident Chamber of Commerce	100.00
90.	Palmetto Partnership	2,500.00
91.	Berkeley County Chamber of Commerce	4,250.00
92.	Grand Strand Humane Society	300.00
93.	Conway Department of Parks and Recreation	100.00
94.	Georgetown County School District	50.00

Appendix A

Santee Cooper's List of Contributions From January 1990 Through December 1993

95.	Summerton Arts Collective	300.00
96.	NAACP State Freedom Fund Dinner	100.00
97.	Jack Monroe (Earthquake Relief in Costa Rica)	200.00
98.	Boy Scouts of America	1,000.00
99.	Berkeley County School District	750.00
100.	Hospice of Charleston, Inc.	750.00
101.	S. C. Watercolor Society	250.00
102.	S. C. Foundation of Independent Colleges	10,000.00
103.	Georgetown County Arts Commission	3,500.00
104.	Coastal Education Foundation, Inc.	10,000.00
105.	Georgetown County Community Relations Council	500.00
106.	Berkeley County Arts Council	7,500.00
107.	Columbia College, Midlands Corporate Pledge	138.00
108.	Cross Branch, NAACP	200.00
109.	The Edisto Indian Health Care Initiative	1,000.00
110.	Myrtle Beach Area Chamber of Commerce	2,913.00
111.	Junior Achievement of Coastal SC, Inc.	500.00
112.	Conway Hospital Foundation	1,000.00
113.	North Myrtle Beach High School	100.00
114.	The Summerville Girls Softball League	200.00
115.	Afro-American Festival	500.00
116.	Loris Bog-Off	500.00
117.	Juvenile Restitution Program, Inc.	500.00
118.	Moncks Corner Celebration Committee	500.00
119.	Farmers and Merchants Bank of Moncks Corner (1992 Van High Day)	100.00
120.	Charleston AFB Invitational Golf Tournament	200.00
121.	American Cancer Society (H/G Counties)	500.00
122.	Gulfstream Cafe' (League of Cities Dinner)	666.00
123.	Orangeburg-Calhoun Technical College	1,000.00
124.	Leadership South Carolina	1,000.00
125.	Macedonia Rural Volunteer Fire Department	2,000.00
126.	Educational Resources Foundation Board	5,000.00
127.	Trident Technical College Foundation	2,500.00
128.	S. L. Myers Youth League	125.00
129.	Trident United Way	25,000.00
130.	S. C. Coastal Conservation League	3,500.00
131.	CACPA	250.00
132.	Habitat for Humanity for Horry County	100.00
133.	The Town of Moncks Corner A's Midget League	100.00
134.	Pawleys Island Lions Club	100.00
135.	U. S. Youth Games National Competition	200.00
136.	Grand Strand YMCA	500.00
137.	Palmetto State Teachers Association	1,000.00
138.	Boy Scouts of America - Troop #305	140.00
139.	S. C. Association of Counties	1,000.00
140.	Southern Governors' Association (1992)	25,000.00
141.	South Carolina Wildlife Federation	375.00
142.	Greater Florence Chamber of Commerce	225.00

143.	Heritage Foundation (Charles Fraser Endowment Fund)	10,000.00
144.	Moncks Corner Branch NAACP	1,000.00
145.	Columbia Art Association - The Columbia Museum	2,850.00
146.	Berkeley County Historical Society Museum	3,308.61
147.	Jewish National Fund	300.00
148.	Town of Bonneau	200.00
149.	The Campaign for Clemson	50,000.00
150.	The Charleston Corporate Cup	800.00
151.	Conway Chamber of Commerce - Waccamaw Riverfest	500.00
152.	Mary Ford Elementary School	1,000.00
153.	S. C. Daughters of the American Revolution	500.00
154.	Sumter County Extension Fund	500.00
155.	Town of St. Stephen	81.97
156.	Junior Achievement of Coastal SC, Inc.	1,900.00
157.	My Sister's House	200.00
158.	Swamp Fox Players, Inc.	2,000.00
159.	Junior Achievement of Coastal South Carolina, Inc.	950.00
160.	Agape Ministries - Rescue and Enhancement	1,600.00
161.	South Carolina Special Olympics	615.00
162.	Horry County Heart Association	500.00
163.	Carolina Children's Charity	100.00
164.	Providence Baptist Church Disaster Relief Team	216.88
165.	Little River Chamber of Commerce	225.00
166.	Horry Cultural Arts Council	250.00
167.	Berkeley Artists Guild	1,000.00
168.	Omar Cowboys (Rodeo Power Bill)	70.17
169.	G.R.I.P.P. (Horry County) (\$5000 Commitment - \$2500 in 1993)	2,500.00
170.	Pawleys Island-Litchfield Merchants Association	175.00
171.	Jenkins Orphanage	500.00
172.	Conway Area Chamber of Commerce	535.00
173.	Plantersville Booster Club	200.00
174.	Georgetown County Library	3,500.00
175.	The Garden Club of South Carolina	500.00
176.	The School of Engineering at S. C. State	4,500.00
177.	Myrtle Beach Lions Club	100.00
178.	Keep South Carolina Beautiful, Inc.	500.00
179.	Greater Charleston Council for the Deaf	500.00
180.	Charleston Speech & Hearing Center	125.00
181.	Winyah Rescue Squad	500.00
182.	Pawleys Island/Litchfield Beach Rescue Squad	500.00
183.	Surfside Beach Rescue Squad	500.00
184.	Horry Rescue Squad	500.00
185.	Myrtle Beach Rescue Squad	500.00
186.	Aynor Rescue Squad	500.00
187.	Garden City/Murrells Inlet Rescue Squad	500.00
188.	Northern Horry Rescue Squad	500.00
189.	North Myrtle Beach Rescue Squad	500.00
190.	Green Guarantee	200.00

Appendix A**Santee Cooper's List of Contributions From January 1990 Through December 1993**

191.	Georgetown County	500.00
192.	South Carolina Waterfowl Association (Net)	5,000.00
193.	Macedonia High School - Odyssey of the Mind	250.00
194.	Pee Dee Area Council of Boy Scouts of America	500.00
195.	Berkeley County Chamber of Commerce	500.00
196.	Berkeley Chapter Ducks Unlimited	500.00
197.	Washesaw Plantation Benefit Golf Tournament	500.00
198.	South Carolina Watercolor Society	250.00
199.	Myrtle Beach High School Cross Country	200.00
200.	Conway Riverfront Development	5,000.00
201.	Surfside Beach Area Business and Professional Association	375.00
202.	Long Bay Symphonic Society	200.00
203.	The National Society of Black Engineers	200.00
204.	Farm City Week	50.00
205.	Jewish National Fund	300.00
206.	Conway Area Chamber of Commerce (Parade)	385.00
207.	Grand Strand Optimist Club	112.00
208.	The Berkeley County Literacy Association	250.00
209.	Georgetown County Chamber of Commerce	1,000.00
210.	Myrtle Beach Jaycees	100.00
211.	The Electric Cooperatives of South Carolina	1,000.00
212.	Trident Community Foundation	500.00
213.	James Island High School DECA Chapter	100.00
214.	The Environmental Education Awareness Program	20,000.00
215.	The Governor's Mansion Foundation	3,000.00
216.	The United Negro College Fund	2,000.00
217.	Teen Challenge of Myrtle Beach	200.00
218.	J. C. Self Research Institute of Human Genetics	5,000.00
219.	S. C. Chamber of Commerce	500.00
220.	Habitat for Humanity	1,000.00
221.	SC Chamber of Commerce Excellence in Education	500.00
222.	Hatcher Office Products - Ann Marie Ore (Handicap Donation)	3,255.00
223.	YWCA Twin Program	1,170.00
	Total	\$ 479,119.36

1991

1.	Moncks Corner Rotary Club	500.00
2.	S. C. Chamber of Commerce	900.00
3.	Junior Achievement of Greater Charleston	900.00
4.	Junior Achievement of Greater Charleston (Horry County)	900.00
5.	S. C. Downtown Development Association	1,000.00
6.	Grand Strand YMCA	500.00
7.	Leukemia Society of America (Myrtle Beach)	100.00
8.	Moncks Corner Recreation Department	150.00
9.	Berkeley Soil & Water Conservation District	100.00
10.	Georgetown United Way, Inc.	350.00
11.	S. C. Public Relations Society of America	200.00
12.	ASEE Southeast Section Conference	100.00
13.	Loris High School Government Studies Program (Close-Up Foundation)	150.00
14.	Little River Improvement Association Contributions Committee	2,500.00
15.	Little River Blue Crab Festival	3,000.00
16.	Santee Circle Rural Fire Department	3,500.00
17.	Jamestown Rural Fire Department	1,500.00
18.	Harleyville Rural Fire Department	300.00
19.	Andrews City Rural Fire Department	1,000.00
20.	S. C. Waterfowl Association (Net)	5,000.00
21.	United Way of Horry County, Inc.	18,396.32
22.	Trident United Way (\$40,000 on Budget - Making Two Installments)	20,000.00
23.	Moncks Corner Rural Fire Department	1,500.00
24.	Eadytown Rural Fire Department	1,500.00
25.	Cross Rural Fire Department	4,000.00
26.	Cordesville Rural Fire Department	1,000.00
27.	Bonneau Rural Fire Department	1,500.00
28.	S. C. Business Hall of Fame	1,250.00
29.	S. C. Conservation Districts Foundation, Inc.	400.00
30.	Surfside Beach Christmas Lights	80.14
31.	North Myrtle Beach Christmas Lights	817.16
32.	Myrtle Beach Christmas Lights	1,139.64
33.	Loris Christmas Lights	158.99
34.	Conway Christmas Lights	535.08
35.	Little River Chamber of Commerce (Christmas Lights)	187.37
36.	Boy Scouts of America	500.00
37.	NAACP Freedom Fund Dinner	600.00
38.	Harry Hampton Fund (SC Wildlife Department)	200.00
39.	T&T Sporting Goods (Sponsorship of Softball)	375.00
40.	Town of Hemingway	2,646.00
41.	March of Dimes WalkAmerica	300.00
42.	Waccamaw Arts & Crafts Guild	200.00
43.	The Original Hammock Shop of Pawleys Island (R/W Association)	89.95
44.	Socastee High School	100.00
45.	Conway High School (Student Council Conference)	200.00
46.	Conway High School (After Prom Event)	100.00

Appendix A

Santee Cooper's List of Contributions From January 1990 Through December 1993

47.	Charleston Symphony Orchestra	500.00
48.	The Lowcountry Open Land Trust	200.00
49.	Berkeley County Emergency Communications	1,500.00
50.	Myrtle Beach Area Chamber of Commerce	498.75
51.	Charleston Ballet Theater	500.00
52.	S. C. Chamber of Commerce	600.00
53.	Moncks Corner YMCA	300.00
54.	Manor Care Nursing Center	200.00
55.	Charleston AFB Invitational Golf Tournament	200.00
56.	North Myrtle Beach Jaycees	350.00
57.	S. C. Water Resources Commission	250.00
58.	Andrews Good Ole Days Festival	500.00
59.	Myrtle Beach Rotary Club	50.00
60.	Boy Scouts of America	400.00
61.	Creative Screen Printing (Women's Softball)	173.80
62.	Wayne's Sporting Goods (T-Ball)	283.23
63.	S. C. State Museum Foundation (Horry County)	250.00
64.	The Moncks Corner Mayors Committee on Employment of the Handicapped	500.00
65.	Spoletto	500.00
66.	S. C. Coastal Conservation League	1,922.66
67.	The Town of Moncks Corner	500.00
68.	Family Support Services of Horry County, Inc.	150.00
69.	Coastal Carolina College	10,000.00
70.	Moncks Corner Lions Club	100.00
71.	Georgetown County Easter Seal Chapter	200.00
72.	S. C. Foundation of Independent Colleges	10,000.00
73.	Charleston Trident Chamber	240.00
74.	Conway Hospital Foundation	1,000.00
75.	Georgetown County School District	25.00
76.	Berkeley High School	300.00
77.	Better Business Bureau of Coastal Carolina	902.50
78.	Myrtle Beach High School Senior Class	100.00
79.	Horry Georgetown Technical College	500.00
80.	Juvenile Restitution Program, Inc.	500.00
81.	The Vocational Agricultural Teachers' Workshop	500.00
82.	Carolina Lowcountry Girl Scouts	500.00
83.	Boy Scouts of America	500.00
84.	American Cancer Society (H-G Area)	500.00
85.	North Myrtle Beach High School	100.00
86.	Conway Main Street USA, Inc.	1,500.00
87.	College of Charleston Foundation	500.00
88.	Georgetown County Chamber of Commerce	1,000.00
89.	Freedom Week	5,000.00
90.	Robin White ("Welcome Home Persian Gulf Troops" Event)	129.65
91.	Moncks Corner Celebration Committee	500.00
92.	Town of St. Stephen (Veterans Park)	105.35
93.	South Carolina Tourism Council, Inc.	2,500.00

Appendix A

Santee Cooper's List of Contributions From January 1990 Through December 1993

94.	Moncks Corner YMCA	4,499.50
95.	Jack Monroe - Earthquake Relief	200.00
96.	Myrtle Beach Area Chamber of Commerce	2,913.00
97.	Georgetown Memorial Hospital	5,000.00
98.	Greater Florence Chamber of Commerce	215.00
99.	College of Charleston Foundation (1991 Annual Fund Drive)	1,000.00
100.	Junior Achievement of Horry County	900.00
101.	The South Carolina Wildlife Federation	350.00
102.	Berkeley County Artist Guild	1,000.00
103.	Coastal Carolina Council Boy Scouts of America	500.00
104.	Moncks Corner Branch NAACP	500.00
105.	Junior Achievement of Coastal S. C., Inc.	950.00
106.	Sumter County Extension Fund	500.00
107.	My Sister's House	200.00
108.	Horry County Heart Association	500.00
109.	Better Business Bureau, Coastal Carolina	1,000.00
110.	NAACP - Charleston Branch	200.00
111.	Conway Area Chamber of Commerce	500.00
112.	Cindy Etheredge - Moncks Corner MDA Telethon	100.00
113.	Afro-American Festival	200.00
114.	Trident Community Foundation	2,000.00
115.	Georgetown County Parks and Recreation Department	150.00
116.	Trident United Way	20,000.00
117.	Charleston Minority Business Development Center	300.00
118.	Berkeley County Chamber of Commerce (Leadership Berkeley)	150.00
119.	Jenkins Orphanage Institute	500.00
120.	Charleston Corporate Cup	800.00
121.	Pringleton Rural Volunteer Fire Department	800.00
122.	Conway Area Chamber of Commerce (Dues)	535.00
123.	Loris Chamber of Commerce	200.00
124.	Little River Chamber of Commerce (Dues)	200.00
125.	South Carolina Waterfowl Association (Net)	5,000.00
126.	Regular Veterans Association	100.00
127.	Charleston Speech and Hearing Center, Inc.	125.00
128.	South Carolina State Museum Foundation	500.00
129.	Plantersville Youth Football Program	200.00
130.	Conway Lions Club	50.00
131.	Education Donation Matching Funds	2,157.00
132.	Moncks Corner Explorers, MCPD	200.00
133.	Pawleys Island/Litchfield Beach Rescue Squad	500.00
134.	Myrtle Beach Rescue Squad	500.00
135.	Salvation Army - Georgetown County	500.00
136.	Salvation Army - Horry County	500.00
137.	Winyah Rescue Squad	500.00
138.	Surfside Beach Rescue Squad	500.00
139.	Associated Charities	500.00
140.	Aynor Rescue Squad	500.00
141.	Garden City/Murrells Inlet Rescue Squad	500.00

Appendix A

Santee Cooper's List of Contributions From January 1990 Through December 1993

142.	North Myrtle Beach Rescue Squad	500.00
143.	Northern Horry Rescue Squad	500.00
144.	Horry Rescue Squad	500.00
145.	S. C. Governor's School for the Arts	500.00
146.	Horry County Council on Aging	5,000.00
147.	Charleston Trident Chamber of Commerce	5,110.00
148.	Aiken Partnership - The Strom Thurmond Chair	2,500.00
149.	Charleston Speech and Hearing Center	500.00
150.	S. C. Business Center for Excellence in Education	10,000.00
151.	Loris Chamber of Commerce	310.00
152.	Long Bay Symphonic Society	200.00
153.	Surfside Beach Area Business and Professional Association	375.00
154.	Greater Columbia Chamber of Commerce	289.50
155.	Trident Literacy Association	2,500.00
156.	Columbia City Ballet	5,000.00
157.	Berkeley County Chamber of Commerce	5,000.00
158.	S. C. Association of Conservation Districts	500.00
159.	21st Annual Martin Luther King, Jr. Celebration	1,000.00
160.	S. C. Chamber of Commerce	300.00
161.	Partners in Education	2,500.00
162.	Renee Caddell - St. Stephen Christmas Parade	100.00
163.	Moncks Corner Jaycees Christmas Parade	100.00
164.	Betty DuBose - Summerton Christmas Parade	100.00
165.	Bamberg County Chamber of Commerce	275.00
166.	S. C. Wildlife Federation	510.00
167.	Sumter Area Technical College Foundation, Inc.	1,000.00
168.	Berkeley County Foster Parents Association	200.00
169.	Juvenile Restitution Program, Inc.	5,000.00
170.	Berkeley County SPCA	200.00
171.	The General Mark W. Clark Campaign for the Citadel Tomorrow	10,000.00
172.	College of Charleston Foundation (Math/Science Weekend)	500.00
173.	S. C. Chamber of Commerce (1992 Dues)	925.00
174.	Georgetown County Arts Association Commission	3,400.00
175.	Palmetto Partnership	2,500.00
176.	UNCF Lowcountry Campaign	500.00
177.	Charleston Raptor Center	1,000.00
178.	S. C. Crawfish Festival & Aquaculture Fair	500.00
179.	Clemson University	41,959.00
	(Research pertaining to Reimbursement request 010 for development of a microprocessor based technique to detect and locate high impedance faults and broken conductor in distribution systems.)	
180.	Scholarship Fund	100.00
181.	YWCA	510.00
182.	South Carolina Special Olympics	200.00
183.	Christmas light reimbursement	(2,779.41)
	Total	\$ 297,535.18

1990

1.	American Legion/Berkeley Post #126	85.00
2.	American Red Cross	1,000.00
3.	Associated Charities - Myrtle Beach	500.00
4.	Aynor Rescue Squad	500.00
5.	Berkeley County Soil Conservation District	25.00
6.	Berkeley County Chamber of Commerce	3,500.00
7.	Boy Scouts of America/Charleston	500.00
8.	Boy Scouts, Explorer's Post	76.00
9.	Charleston Ballet Theater	750.00
10.	Charleston Corporate Cup	890.00
11.	Charleston Speech and Hearing Center	125.00
12.	Coastal Carolina College	10,000.00
13.	College of Charleston Foundation	1,000.00
14.	College of Charleston Foundation	300.00
15.	Greater Columbia Chamber of Commerce	289.50
16.	Conway Riverfront Development	1,000.00
17.	Waccamaw Riverfest	500.00
18.	Conway Rescue Squad	500.00
19.	Cross Rural Fire Department	4,000.00
20.	Garden City/Murrells Inlet Rescue Squad	500.00
21.	Georgetown Chamber of Commerce	1,000.00
22.	Grand Strand YMCA	500.00
23.	Horry County Heart Association	500.00
24.	Horry-Georgetown Technical College	500.00
25.	Junior Achievement of Charleston	800.00
26.	Junior Achievement of Charleston	900.00
27.	Little River Chamber of Commerce	300.00
28.	Loris Chamber of Commerce	225.00
29.	March of Dimes	200.00
30.	Martin Luther King Community Tribute	100.00
31.	Moncks Corner Mayor's Handicapped Committee	150.00
32.	Myrtle Beach Chamber of Commerce	2,913.00
33.	Myrtle Beach Rescue Squad	500.00
34.	NAACP - Charleston Branch (Freedom Fund Drive)	200.00
35.	NAACP - Charleston Branch	600.00
36.	Town of North Myrtle Beach Christmas Lights	563.23
37.	North Myrtle Beach Rescue Squad	500.00
38.	Northern Horry Rescue Squad	500.00
39.	Pawleys Island/Litchfield Rescue Squad	500.00
40.	Salvation Army - Horry County	500.00
41.	Salvation Army - Georgetown	500.00
42.	S. C. Chamber of Commerce	2,291.63
43.	S. C. Chamber of Commerce	900.00
44.	S. C. Council on Economics Education	1,000.00
45.	S. C. Downtown Development Association, Inc.	1,000.00
46.	S. C. Governor's School of the Arts	500.00

Appendix A

Santee Cooper's List of Contributions From January 1990 Through December 1993

47.	S. C. Wildlife Federation	500.00
48.	Southern Growth Policies Board	1,000.00
49.	Surfside Rescue Squad	500.00
50.	Trident United Way - Berkeley County	40,000.00
51.	Winyah Rescue Squad	500.00
52.	Children Unlimited	1,000.00
53.	Boy Scout Troop #747	1,000.00
54.	The City of Goose Creek Fire/EMS	1,400.00
55.	SERC	3,200.00
56.	S. C. Business Hall of Fame	1,000.00
57.	S. C. Waterfowl Association	2,000.00
58.	Michele Jensen - National Close-Up Student Program	50.00
59.	Zane Medlock - National Close-Up Student Program	50.00
60.	Myrtle Beach Leukemia Society	100.00
61.	Town of Bonneau	500.00
62.	Junior Achievement of Charleston	920.00
63.	Georgetown Co. Parks & Recreation	150.00
64.	Georgetown Co. Parks & Recreation	260.00
65.	Berkeley High School	200.00
66.	Cameo Awards	150.00
67.	Harry Hampton Wildlife Fund	100.00
68.	Real Men Cook	100.00
69.	Clarendon County	5,000.00
70.	Waccamaw Arts & Crafts Guild	200.00
71.	S. C. Conservation District Foundation	400.00
72.	Moncks Corner Lions Club	100.00
73.	S. C. Aquatic Plant Management Society	2,500.00
74.	American Cancer Society	175.00
75.	Easter Seal Foundation	100.00
76.	S. C. Association of Assessing Officials	300.00
77.	Myrtle Beach Chamber of Commerce	472.50
78.	Brendon M. Barber (Georgetown Amateur Union Carrier Boys Basketball Team)	50.00
79.	Boy Scout Pack #301	500.00
80.	City of Conway	5,000.00
81.	Jeddah Youth Group	100.00
82.	Cathy Haynes, Treasurer (Cross Area Crime Watch)	300.00
83.	Fox Committee	100.00
84.	Gates Rubber Company (Job Training Partnership Act)	75.00
85.	The R. C. Bacote Scholarship	500.00
86.	Berkeley High School (ROTC)	100.00
87.	Habitat for Humanity	50.00
88.	Santee Cooper Softball Team	409.55
89.	B&M Trophies	149.63
90.	National Child Safety Council	150.00
91.	Loris High School	300.00
92.	Better Business Bureau	950.00
93.	American Cancer Society	500.00

Appendix A

Santee Cooper's List of Contributions From January 1990 Through December 1993

94.	Berkeley County Arts Council	7,500.00
95.	CMSDC - Trade Expo '90	1,000.00
96.	NCO Academy Graduates Association	200.00
97.	Easter Seal Society of Georgetown	200.00
98.	Summerton Downtown Development	1,500.00
99.	S. C. State Museum Foundation	1,000.00
100.	Moncks Corner Silver Streak	100.00
101.	Conway Recreation Department	400.00
102.	Town of St. Stephen	83.41
103.	S. C. Water Resources Commission	200.00
104.	Summerville YMCA Taekwondo Club	250.00
105.	Andrews Fire Department	1,000.00
106.	TTC Practical Nursing Student Organization	250.00
107.	Project Adam	500.00
108.	S. C. Garden Clubs Environmental Education	300.00
109.	My Sister's House, Inc.	200.00
110.	Georgetown Pony League	200.00
111.	Berkeley County Country Club Invitational	300.00
112.	Santee Cooper Country	250.00
113.	NAACP - Moncks Corner Branch	500.00
114.	American Legion Post #247	500.00
115.	Jamestown Rural Fire Department	1,000.00
116.	Cross Volunteer Fire Department	4,000.00
117.	The Carolinas Conference	200.00
118.	S. C. Youth & College Division of NAACP	100.00
119.	Columbia Green	1,610.00
120.	The Women's Federation of Churches	100.00
121.	Bonneau Rural Volunteer Fire Department	1,000.00
122.	National Wildlife Federation	1,000.00
123.	Santee Cooper Country Promotion Committee	150.00
124.	Charleston Corporate Cup	800.00
125.	United Way - Georgetown County	15,345.80
126.	Myrtle Beach Women's Club	200.00
127.	Trident Technical College Foundation	5,000.00
128.	S. C. Chamber of Commerce (Chas. Recept. Host)	300.00
129.	Santee Circle Recreational Park	500.00
130.	Habitat for Humanity	5,000.00
131.	Bamberg County Chamber of Commerce	275.00
132.	Winyah Bassmasters	400.00
133.	The Clemson University Foundation	12,500.00
134.	Georgetown County Arts Commission	3,500.00
135.	Conway Area	535.00
136.	American Cancer Society	100.00
137.	American Cancer Society	250.00
138.	Conway Main Street USA, Inc.	1,500.00
139.	Coastal Carolina Council	400.00
140.	YWCA of Charleston	300.00
141.	Ft. Jackson IMW and R Fund	1,000.00

Appendix A**Santee Cooper's List of Contributions From January 1990 Through December 1993**

142.	Clemson Engineering	400.00
143.	Moncks Corner Rotary	200.00
144.	Little River Blue Crab Festival	2,500.00
145.	Little River Improvement Assoc.	2,500.00
146.	Summerville American Legion	200.00
147.	Berkeley Citizens, Inc.	2,500.00
148.	Conway Area	385.00
149.	Town of Surfside Christmas Lights	78.79
150.	Town of Moncks Corner Christmas Lights	566.72
151.	Myrtle Beach Christmas Lights	1,180.53
152.	Conway Christmas Lights	526.11
153.	Loris Christmas Lights	156.32
154.	Horry Cultural Arts Council	250.00
155.	Myrtle Beach Rotary	50.00
156.	Surfside Beach Area Business	375.00
157.	Moncks Corner Celebration	500.00
158.	American Cancer Society	100.00
159.	SC Co-op & Placement Association	175.00
160.	National Society of Black Engineers	150.00
161.	Waccamaw Center for Mental Health	200.00
162.	Moncks Corner Mayors Employment of Handicapped Committee	150.00
163.	ETV Endowment	500.00
164.	NSBE/USC, The Minority	50.00
	Total	\$204,537.72
	Four-Year Total	\$1,702,434.97

Note: The above figures represent the total cash contributions made by Santee Cooper during the time period specified and do not include advertising and economic development activities or in-kind contributions such as labor, materials, supplies, etc.

Appendix A

Santee Cooper's List of Contributions From January 1990 Through December 1993

List of Legal Authorities

1. Carll v. South Carolina Jobs-Economic-Development Authority, 284 S.C. 438, 327 S.E.2d 331 (1985); Bauer v. South Carolina State Housing Authority, 271 S.C. 219, 227, 246 S.E.2d 869 (1978); Elliott v. McNair, 250 S.C. 75, 156 S.E.2d 421 (1967); Op. Atty. Gen. (June 27, 1988).
2. Elliott v. McNair, 250 S.C. 75, 156 S.E.2d 421 (1967); 1985 Op. Atty. Gen. No.132 (November 15, 1985); Op. Atty. Gen. (March 10, 1994).
3. Anderson v. Baehr, 265 S.C. 153, 217 S.E.2d 43 (1975); see also Carll, Bauer, and Elliott, supra.
4. Ops. Atty. Gen. (February 10, 1975, April 13, 1971).
5. Op. Atty. Gen. (June 27, 1988).
6. Ops. Atty. Gen. (January 21, 1985, March 17, 1986).
7. Op. Atty. Gen. (January 8, 1991).

Appendix B
List of Legal Authorities

Agency Comments

Appendix C
Agency Comments

T. Graham Edwards
President and
Chief Executive Officer



P.O. Box 2946101, Moncks Corner, South Carolina 29461-2901 • 803/761-7024 • FAX 803/761-7037

February 10, 1995

Mr. George L. Schroeder
Director
South Carolina Legislative Audit Council
400 Gervais Street
Columbia, SC 29201

Re: South Carolina Legislative Audit Council
Report to the General Assembly
A Limited-Scope Review of Santee Cooper
Report dated February 1995

Dear Mr. Schroeder:

Santee Cooper management has received and reviewed the subject report and appreciates the opportunity to respond.

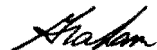
I would like to once again commend Mr. Tom Bardin, Mr. Andy Young, Ms. Tony Southerland and Ms. Lynn Ballentine for the professionalism displayed and the thoroughness in which they conducted the audit.

I would like to also express my appreciation to you and the members of the Audit Council for consideration of Santee Cooper's comments contained in my January 9, 1995 letter to you.

Enclosed is management's response. I understand the same will be incorporated into the report as Appendix C.

Should you have any questions or concerns, please do not hesitate to contact me.

Sincerely,



T. Graham Edwards

TGE:kay

Enclosure

cc: Tom Bardin

Santee Cooper
Response to South Carolina Legislative Audit Council
A Limited-Scope Review of Santee Cooper
Report to the General Assembly
Report Dated February 1995

I. EMPLOYEE BENEFITS

General Comments: Santee Cooper is in competition with other electric utilities for employees. In order for Santee Cooper to attract and maintain a strong and qualified work force it must offer a reasonably competitive and comprehensive employee benefits package.

MANAGEMENT RESPONSE TO LAC'S RECOMMENDATIONS:

1. ***LAC Recommendation: Santee Cooper should comply with its policy that allows a maximum of \$7,500 as a reimbursement for closing costs expenses.***

Management Response: Santee Cooper internal policies are adopted by management as guidelines. Unless a policy is adopted by the Board of Directors, management has the discretion to make an exception to the guidelines in extraordinary cases to prevent hardship, assure fairness, enhance our competitive position, or for other legitimate and prudent business reasons. In the two cases exceeding the \$7,500 guidelines, there were unusual circumstances. One involved the relocation of an employee with considerable engineering expertise and this experience was required at another location within Santee Cooper. The other situation was a Senior Management Information Systems Analyst. Recruiting was extremely difficult because unique skills were required. This action was necessary and prudent to hire the individual. These two exceptions were well documented and approved by appropriate management.

Any exceptions made to policy will continue to be well documented and maintained in appropriate files.

2. ***LAC Recommendation: Santee Cooper should re-evaluate the propriety of using public funds to sponsor social and recreational activities for its employees.***

Management Response: Santee Cooper annually sponsors safety dinners to recognize employees for safety achievements. It also sponsors an annual picnic for employees and participation in team recreational sports. These programs are necessary to promote safety consciousness, teamwork and high morale, all of which foster business success.

3. ***LAC Recommendation: If Santee Cooper continues to provide employee associations with funds, it should develop controls to insure that the funds are expended for their intended purpose and in compliance with State law.***

Management Response: Santee Cooper concurs and will develop controls to account for expenditure of canteen funds and employee association payments.

4. ***LAC Recommendation: Santee Cooper should periodically examine employee benefits to determine their appropriateness and to determine whether costs can be reduced.***

Management Response: Employee benefit costs are reviewed on a continuous basis and changes made as needed. Examples over the past several years include changing the dental plan from standard insurance to a self-insured program, shifting some of the HMO costs from the employer to the employee, and reduction of sick leave benefits, all of which saved Santee Cooper ratepayers significant dollars.

II. CONTRIBUTIONS TO OUTSIDE ORGANIZATIONS AND THE STATE TREASURY

A. CONTRIBUTIONS:

General Comments: Santee Cooper has historically made contributions to organizations in South Carolina which perform community service, assist Santee Cooper in its mission, or provide a benefit to the state as a whole. This is an accepted business practice for all of our competitors in the electric industry (Duke, CP&L and SCE&G) and for the electric cooperatives. The legality of Santee Cooper engaging in this practice is currently under review in a lawsuit filed in Richland County. It is, therefore, inappropriate for Santee Cooper to comment on the issues which will be at the heart of the lawsuit.

MANAGEMENT RESPONSE TO LAC'S RECOMMENDATIONS:

5. ***LAC Recommendation: Santee Cooper should discontinue its practice of contributing funds for the direct benefit of any religious or other private educational institution, since this practice is prohibited by Article XI, Section 4 of the South Carolina Constitution.***

Management Response: Santee Cooper has donated to the Salvation Army and to some private schools. The issue of the legality of our donations is presently under consideration by the Court.

6. ***LAC Recommendation: Pending a court decision on the legality of its contributions practice, Santee Cooper should:***

- Develop a written policy to insure that all expenditures of funds to charities, civic organizations, educational institutions, and similar entities meet both the public purpose test and corporate purpose test in accordance with South Carolina Case Law and Attorneys General Opinions.

- Develop a written policy governing the solicitation and approval of contributions by Santee Cooper Board members and staff to organizations of which they are members or from which they might benefit from the contributions.

Management Response: Santee Cooper will revise its current written policy to specifically address public and corporate purposes. The revised policy will also address solicitation and approval of contributions where board members and staff are members of the requesting organization.

7. *LAC Recommendation: If the courts determine that Santee Cooper has the authority to contribute funds to outside organizations (or if the lawsuit is dismissed), the General Assembly may wish to consider amending Santee Cooper's legislation to provide guidelines concerning the donation of public funds and resources.*

Management Response: An amendment to Santee Cooper's enabling legislation regarding this issue is premature in light of the pending litigation.

B. PAYMENTS TO STATE TREASURY:

General Comments: During 1987, members of the executive and legislative branches of state government requested Santee Cooper officials to join them in seeking an arrangement whereby Santee Cooper's payment to the state treasury could be made more predictable. Based on a verbal agreement coming out of those discussions, Santee Cooper has since 1988-1989 fiscal year, remitted to the state one percent of its projected operating revenues. This amount represents a payment consistent with what a similarly situated investor-owned utility would pay to the state in corporate income taxes. This amount is also consistent with the contractual commitment which Santee Cooper has with its bondholders who hold approximately \$2.7 billion of short and long term debt.

The LAC notes that Santee Cooper could not locate the "formula" whereby it establishes the payment to the state. There is no written formula. The methodology is straightforward -- one percent of projected "Operating Revenues", a term defined by the Federal Energy Regulatory Commission Uniform System of Accounts and used daily in the operations of a utility business. This methodology has been applied consistently in each budget and for each payment made to the state since it was approved by the Board in 1987. The amount of the payment to the state is approved by the Board each year as part of Santee Cooper's budgets.

Management Response to LAC's Recommendations:

8. ***LAC Recommendation:*** *Santee Cooper should consider using all revenue, including interest and miscellaneous income, when calculating the amount of funds due the state's general fund.*

Management Response: The accounting guidelines for an electric utility company specifically define "revenues" and "income" differently. Santee Cooper never intended to include "income" in the calculation of the payment to the state. As noted previously, the 1% methodology was designed to stabilize the payment to the state. Financial market conditions, cash availability and accounting guideline changes can cause interest income to fluctuate. Nevertheless, Santee Cooper's management will review the recommendation with the Santee Cooper Board of Directors.

III. PROCUREMENT OF GOODS AND SERVICES:

- A. **Coal Purchasing:** Santee Cooper concurs with the LAC's findings.
- B. **Purchase of Rail Cars to Ship Coal:** Santee Cooper concurs with the LAC's findings.
- C. **Single Source Purchases.**

General Comments: Santee Cooper expends approximately \$114 million per year for goods and services, excluding coal, coal transportation and professional services. Our standard purchasing practice for these included is to award orders based on competitive bids; however, certain goods and services are purchased from sole or single source suppliers. A sole source award is made if the item or service is made and/or marketed by only one source. An example of a sole source requirement would be an instance where only General Electric parts can be used in a General Electric generator. A single source award is made if no substitution is allowed due to technical qualifications or specifications and/or when specific performance requirements must be met. An example of a single source requirement would be a situation where Motorola communications equipment best meets engineering technical requirements for a particular application. There may be other suppliers who make communications equipment which does not meet the technical requirements.

Management Response to LAC's Recommendation:

9. ***LAC Recommendation:*** *Santee Cooper should amend its purchasing policy to require that purchasing records document the reason for each single source purchase.*

Management Response: The LAC's recommendation follows Santee Cooper's internal auditor's May 1994 recommendation that the reason for sole and single

source purchases be documented within procurement records. To address this concern, by agreement of internal audit and management, the corporate procurement procedure was revised on May 12, 1994 to require documentation for sole and single source purchases be provided in either procurement or supporting systems records. In response to LAC concerns, management has further required buyers to reference the appropriate supporting system in the purchase order file when documentation is not physically located in the procurement records.

D. Professional Services:

10. ***LAC Recommendation: Santee Cooper should comply with all agency policies relating to the purchase of professional services.***

Management Response: Santee Cooper concurs it should and will comply with its policies relating to the purchase of professional services.

E. Blanket Purchase Orders:

General Comments: Santee Cooper issues blanket purchase orders to procure goods or services on a recurring basis when certain terms, such as exact quantity, are unknown. In these cases, employees submit requisitions to Procurement which then establishes blanket purchase orders with suppliers through the normal purchasing process. Once a blanket purchase order is issued, employees may make releases, as required, against the order and under the terms of the blanket purchase order. As noted by the LAC, this reduces administrative costs.

Non-specific blanket orders are used when both the specific items to be used and their quantities are unknown. An example is a labor contract issued as one lot with prices specified for each type of labor which may be used under the contract. The pricing terms under non-specific blanket purchase orders may be handled by listing the actual prices to be paid in the blanket purchase order itself (approximately \$3.7 million of the \$5 million was spent on this type of purchase during this period) or incorporated with a reference to a supplier price list (about \$1.3 million of the \$5 million was spent on this type of purchase during this period). An example of the latter would be a non-specific blanket purchase order with a retail store for automotive parts with prices being set by references to discounts off a manufacturer price list.

11. ***LAC Recommendation: Santee Cooper should implement a system by which its accounts payable department ensures that vendors with non-specific blanket purchase orders are charging the correct prices.***

Management Response: Santee Cooper will work to find cost effective methods to strengthen administration of pricing for non-specific blanket purchase orders which incorporate pricing terms using references to supplier price lists.

F. Land and Easement Procurement:

12. ***LAC Recommendation: Santee Cooper should document the justification of the price paid for all land, land easements and related items.***

Management Response: Santee Cooper will continue its practice of documenting the justification for payments of land and land easements.

G. Legal Services from Private Attorneys:

General Comments: As do all large utilities, Santee Cooper has a myriad of legal matters and cases in litigation. These matters are typically very complex and have in most instances significant financial implications. Santee Cooper attempts to hire the best available counsel to match its needs.

13. ***LAC Recommendation: Santee Cooper should require private attorneys to submit itemized monthly bills which adequately document the services provided and the time spent providing each service.***

Management Response: Santee Cooper in most instances historically required private attorneys to submit itemized monthly bills when they contracted with Santee Cooper on an hourly basis. Santee Cooper concurs with the recommendation as it relates to services contracted on an hourly basis.

H. Renegotiation of Coal Contracts:

General Comments: Santee Cooper concurs that the litigation against certain coal vendors resulted in a significant savings (\$251 million) for its ratepayers and that the payment to its lead attorney was reasonable when compared with the results achieved.

This report was published for a total cost of \$1,062.25; 350 bound copies were printed at a cost of \$3.04 per unit.